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LEGISLATIVE HISTORY

Public Law 151--78th Congress

Chapter 241--1st Session

H. J. Res. 147

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INDEX AND SUMMARY OF HISTORY ON H. J. RES. 147

May 14, 1943 S. 1108 introduced by Mr. Wagner and referred to the Senate Committee on Banking and Currency. (Companion bill).

May 17, 1943 H. R. 2725 introduced by Mr. Steagall and referred to the House Committee on Banking and Currency. (Companion bill).

May 18, 1943 Hearings: House, H. R. 2725.

May 27, 1943 Hearings: Senate, S. 1108.

June 4, 1943 S. 1108 reported by the Senate Committee on Banking and Currency without amendment. Senate Report 286. Print of the bill as reported.

June 18, 1943 Amendment to S. 1108 proposed by Mr. Taft.

June 23, 1943 Amendment to S. 1108 proposed by Mr. Clark.

June 24, 1943 Amendment to S. 1108 proposed by Mr. Johnson.

June 25, 1943 Amendment to S. 1108 proposed by Mr. Clark.

July 2, 1943 H. J. Res. 147 discussed in House and passed without amendment (print of the Resolution as introduced not available).

July 3, 1943 H. J. Res. 147 referred to the Senate Committee on Banking and Currency. Print of the bill as referred. O'Mahoney amendment to H. J. Res. 147. Senate Committee reported H. J. Res. 147 with amendments, Senate Report 387.

July 5, 1943 Senate began debate on H. J. Res. 147.

July 6, 1943 Debate concluded and passed Senate with amendments. Print of the measure with the amendments of the Senate numbered.

July 8, 1943 Both Houses agreed to Conference Report, House Report 697.

July 16, 1943 Approved. Public Law 151.

See Also: Public Law 219, and 240 - 78th Congress.  
Miscellaneous Bills: H. R. 2860 and H. R. 3477 (vetoed).



Book 1  
1877  
1878



78TH CONGRESS  
1ST SESSION

# S. 1108

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## IN THE SENATE OF THE UNITED STATES

MAY 14 (legislative day, MAY 12), 1943

Mr. WAGNER introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

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## A BILL

To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 1 of the Act approved March 8, 1938 (52 Stat.  
4       107), as amended, is hereby amended by deleting from the  
5       first sentence thereof the term "31st of March" where that  
6       term first appears therein and substituting in lieu thereof the  
7       term "30th of June", and by deleting from the second  
8       sentence thereof "on the basis of the cost, including not more

1 than one year of carrying charges, of such assets to the  
2 Corporation, or the average market prices of such assets for  
3 a period of twelve months ending with March 31 of each year,  
4 whichever is less,” and inserting in lieu thereof “on the basis  
5 of the cost, or insofar as practicable, the average market price  
6 of such assets during the last month of the fiscal year covered  
7 by the appraisal, whichever is the lower.” Only one appraisal  
8 of the assets and liabilities of the Corporation shall be made  
9 during the calendar year 1943 which shall be on the basis  
10 established by this amendment.

11 SEC. 2. Section 4 of the Act approved March 8, 1938  
12 (52 Stat. 108), as amended, is hereby amended by deleting  
13 the term “\$2,650,000,000” and inserting in lieu thereof the  
14 term “\$3,650,000,000”.

15 SEC. 3. Section 7 of the Act approved January 31, 1935  
16 (49 Stat. 4), as amended, is hereby amended by changing  
17 the designation thereof to section 7 (a) and by deleting  
18 from the first sentence thereof the term “June 30, 1943”  
19 and by inserting in lieu thereof “June 30, 1947, or the end  
20 of the second year following the first day of January im-  
21 mediately following the date upon which the President by  
22 proclamation or the Congress by concurrent resolution de-  
23 clares that hostilities in the present war have terminated,  
24 whichever is the later”; and is further hereby amended by  
25 striking out the period at the end of the section and insert-



1 ing in lieu thereof a comma and the following: "without  
2 regard to provisions of any other existing law relating to  
3 public funds: *Provided, however,* That the Corporation shall  
4 at all times maintain complete and accurate books of account  
5 and shall determine the procedures to be followed in the  
6 transaction of the corporate business.

7 " (b) The financial transactions of the Corporation begin-  
8 ning with the period from July 1, 1943, shall be audited by  
9 the General Accounting Office in accordance with the princi-  
10 ples applicable to commercial corporate transactions and under  
11 such rules and regulations as may be prescribed by the Comp-  
12 troller General of the United States: *Provided,* That the  
13 Corporation shall continue to have the authority to make  
14 final and conclusive settlement and adjustment of any claims  
15 by or against the Corporation or the accounts of its fiscal  
16 officers: *Provided further,* That a report of such audit shall  
17 be made to the Congress, together with such recommenda-  
18 tions as the Comptroller General may deem advisable, and  
19 that each such report shall cover a period of one fiscal year  
20 and shall not be made until the Corporation and the Secretary  
21 of Agriculture shall have had a reasonable opportunity, not  
22 to exceed 90 days, to examine the report, point out errors  
23 therein, explain or answer the same, and file a statement  
24 which shall be submitted by the Comptroller General with  
25 his report: *Provided further,* That a copy of each such report

1 shall be furnished the Secretary of the Treasury and that the  
2 findings contained therein shall be considered by the Secre-  
3 tary in appraising the assets and liabilities and determining  
4 the net worth of the Corporation under sections 1 and 2 of the  
5 Act of March 8, 1938 (52 Stat. 107), as amended: *Provided*,  
6 *however*, That nothing in this section shall be construed as  
7 modifying legislation authorizing the use of funds of the  
8 Corporation for administrative expenses and requiring ac-  
9 countability therefor.

10       “(c) The expenses of the audit as provided in this section  
11 may be paid up to and including June 30, 1945, from moneys  
12 advanced therefor by the Corporation, or from any appro-  
13 priation or appropriations for the General Accounting Office,  
14 and appropriations so used shall be reimbursed promptly by  
15 the Corporation as billed by the Comptroller General: *Pro-*  
16 *vided*, That any such advances or reimbursements shall be  
17 considered as nonadministrative expenses of the Corporation.  
18 For the purpose of such audit the representatives of the Gen-  
19 eral Accounting Office shall have access to all papers, books,  
20 files, accounts, financial records, warehouses, and all other  
21 things, property and places belonging to or under the control  
22 of or used or employed by the Corporation and shall be  
23 afforded full facilities for verifying transactions with and  
24 balances in depositaries and with fiscal agents: *Provided fur-*  
25 *ther*, That the certified financial reports and schedules of the

1 fiscal agents of the Corporation based on commercial audits  
2 in the usual course of business may be accepted by the  
3 General Accounting Office in its audit of the financial trans-  
4 actions of the Corporation as final and not subject to further  
5 audit verification.

6 “(d) Any examination of the corporate records shall  
7 be made at the place or places where such records are  
8 normally kept in the transaction of the corporate business,  
9 and the Corporation shall retain custody of contracts, vouch-  
10 ers, schedules, or other financial or accounting documents,  
11 either original or duplicate, relating to its nonadministrative  
12 transactions.”

13 SEC. 4. The Federal Reserve banks are hereby author-  
14 ized to act as depositaries, custodians, and fiscal agents for  
15 the Commodity Credit Corporation.





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## A BILL

---

To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

---

By Mr. WAGNER

---

May 14 (legislative day, May 12), 1943

Read twice and referred to the Committee on  
Banking and Currency







78TH CONGRESS  
1ST SESSION

# H. R. 2725

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## IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1943

Mr. STEAGALL introduced the following bill; which was referred to the Committee on Banking and Currency

---

## A BILL

To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 1 of the Act approved March 8, 1938 (52  
4       Stat. 107), as amended, is hereby amended by deleting from  
5       the first sentence thereof the term "31st of March" where  
6       that term first appears therein and substituting in lieu thereof  
7       the term "30th of June," and by deleting from the second  
8       sentence thereof "on the basis of the cost, including not more

1 than one year of carrying charges, of such assets to the Cor-  
2 poration, or the average market prices of such assets for a  
3 period of twelve months ending with March 31 of each year,  
4 whichever is less", and inserting in lieu thereof, "on the basis  
5 of the cost, or insofar as practicable, the average market price  
6 of such assets during the last month of the fiscal year covered  
7 by the appraisal, whichever is the lower". Only one ap-  
8 praisal of the assets and liabilities of the Corporation shall  
9 be made during the calendar year 1943 which shall be on  
10 the basis established by this amendment.

11 SEC. 2. Section 4 of the Act approved March 8, 1938  
12 (52 Stat. 108), as amended, is hereby amended by deleting  
13 the term "\$2,650,000,000" and inserting in lieu thereof the  
14 term "\$3,650,000,000;".

15 SEC. 3. Section 7 of the Act approved January 31, 1935  
16 (49 Stat. 4), as amended, is hereby amended by changing  
17 the designation thereof to section 7 (a) and by deleting from  
18 the first sentence thereof the term "June 30, 1943", and  
19 inserting in lieu thereof "June 30, 1947, or the end of the  
20 second year following the first day of January immediately  
21 following the date upon which the President by proclamation  
22 or the Congress by concurrent resolution declares that hostili-  
23 ties in the present war have terminated, whichever is the  
24 later"; and is further hereby amended by striking out the  
25 period at the end of the section and inserting in lieu thereof

1 a comma and the following: "without regard to provisions  
2 of any other existing law relating to public funds: *Provided*,  
3 *however*, That the Corporation shall at all times maintain  
4 complete and accurate books of account and shall determine  
5 the procedures to be followed in the transaction of the corpo-  
6 rate business.

7 " (b) The financial transactions of the Corporation be-  
8 ginning with the period from July 1, 1943, shall be audited  
9 by the General Accounting Office (in accordance with the  
10 principles applicable to commercial corporate transactions)  
11 and under such rules and regulations as may be prescribed by  
12 the Comptroller General of the United States: *Provided*,  
13 That the Corporation shall continue to have the authority to  
14 make final and conclusive settlement and adjustment of any  
15 claims by or against the Corporation or the accounts of  
16 its fiscal officers: *Provided further*, That a report of such  
17 audit shall be made to the Congress, together with such  
18 recommendations as the Comptroller General may deem  
19 advisable, and that each such report shall cover a period of  
20 one fiscal year and shall not be made until the Corporation  
21 and the Secretary of Agriculture shall have had a reasonable  
22 opportunity, not to exceed ninety days, to examine the  
23 report, point out errors therein, explain or answer the same,  
24 and file a statement which shall be submitted by the Comp-  
25 troller General with his report: *Provided further*, That a

1 copy of each such report shall be furnished the Secretary  
2 of the Treasury and that the findings contained therein shall  
3 be considered by the Secretary in appraising the assets and  
4 liabilities and determining the net worth of the Corporation  
5 under sections 1 and 2 of the Act of March 8, 1938 (52  
6 Stat. 107), as amended: *Provided, however,* That nothing  
7 in this section shall be construed as modifying legislation  
8 authorizing the use of funds of the Corporation for adminis-  
9 trative expenses and requiring accountability therefor.

10       “(c) The expenses of the audit as provided in this sec-  
11 tion may be paid up to and including June 30, 1945, from  
12 moneys advanced therefor by the Corporation, or from any  
13 appropriation or appropriations for the General Accounting  
14 Office, and appropriations so used shall be reimbursed  
15 promptly by the Corporation as billed by the Comptroller  
16 General: *Provided,* That any such advances or reimburse-  
17 ments shall be considered as nonadministrative expenses of  
18 the Corporation. For the purposes of such audit the repre-  
19 sentatives of the General Accounting Office shall have access  
20 to all papers, books, files, accounts, financial records, ware-  
21 houses, and all other things, property, and places belonging  
22 to or under the control of or used or employed by the Cor-  
23 poration and shall be afforded full facilities for verifying  
24 transactions with and balances in depositaries and with fiscal  
25 agents: *Provided,* That the certified financial reports and

1 schedules of the fiscal agents of the Corporation based on  
2 commercial audits in the usual course of business may be  
3 accepted by the General Accounting Office in its audit of the  
4 financial transactions of the Corporation as final and not sub-  
5 ject to further audit verification.

6 “(d) Any examination of the corporate records shall  
7 be made at the place or places where such records are nor-  
8 mally kept in the transaction of the corporate business, and  
9 the Corporation shall retain custody of contracts, vouchers,  
10 schedules, or other financial or accounting documents, either  
11 original or duplicate, relating to its nonadministrative  
12 transactions.”

13 SEC. 4. The Federal Reserve banks are hereby author-  
14 ized to act as depositaries, custodians, and fiscal agents for  
15 the Commodity Credit Corporation.



78TH CONGRESS  
1ST Session

# H. R. 2725

## A BILL

To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

By Mr. STEAGALL

MAY 17, 1943

Referred to the Committee on Banking and Currency







**FILE COPY**  
**CONTINUANCE OF COMMODITY CREDIT  
CORPORATION**

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**HEARINGS**  
BEFORE THE  
**COMMITTEE ON BANKING AND CURRENCY**  
**HOUSE OF REPRESENTATIVES**  
**SEVENTY-EIGHTH CONGRESS**  
**FIRST SESSION**  
ON

**H. R. 2725**

(Superseded by H. R. 2869)

A BILL TO CONTINUE COMMODITY CREDIT CORPORATION  
AS AN AGENCY OF THE UNITED STATES, INCREASE ITS  
BORROWING POWER, REVISE THE BASIS OF THE  
ANNUAL APPRAISAL OF ITS ASSETS, AND TO  
PROVIDE FOR AN AUDIT BY THE GENERAL  
ACCOUNTING OFFICE OF THE FINANCIAL  
TRANSACTIONS OF THE CORPORATION,  
AND FOR OTHER PURPOSES

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**REVISED**

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MAY 18, 19, 20, 21, 24, 25, 26, 27, 28, 1943

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Printed for the use of the Committee on Banking and Currency



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1943

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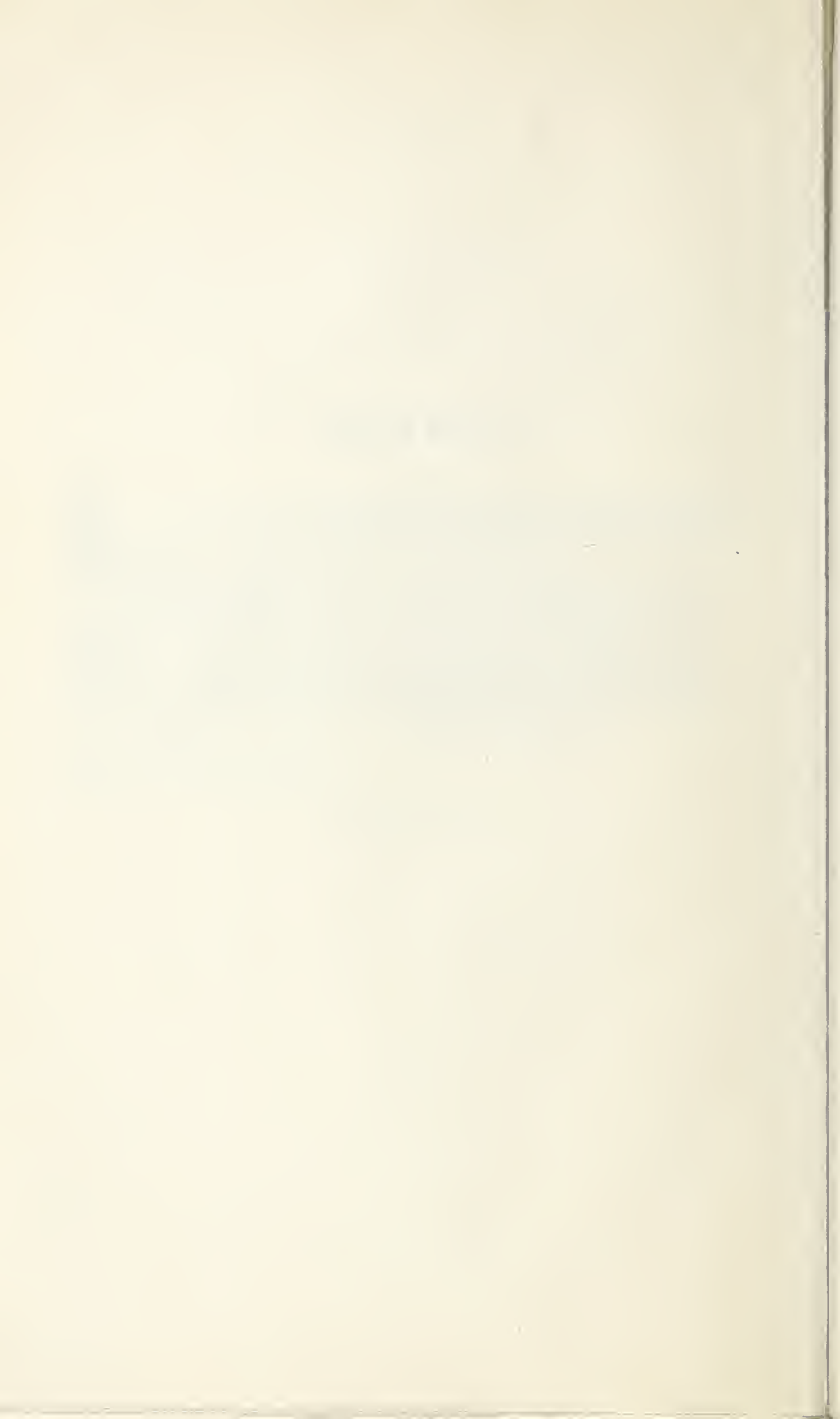
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# CONTINUANCE OF COMMODITY CREDIT CORPORATION

TUESDAY, MAY 18, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY.  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall, chairman, presiding.

The CHAIRMAN. Let the committee come to order. The committee has before it for consideration H. R. 2725.

(The bill under consideration is as follows:)

[H. R. 2725, 78th Cong., 1st sess.]

A BILL To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 1 of the Act approved March 8, 1938 (52 Stat. 107), as amended, is hereby amended by deleting from the first sentence thereof the term "31st of March" where that term first appears therein and substituting in lieu thereof the term "30th of June," and by deleting from the second sentence thereof "on the basis of the cost, including not more than one year of carrying charges, of such assets to the Corporation, or the average market prices of such assets for a period of twelve months ending with March 31 of each year, whichever is less", and inserting in lieu thereof, "on the basis of the cost, or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower". Only one appraisal of the assets and liabilities of the Corporation shall be made during the calendar year 1943 which shall be on the basis established by this amendment.

SEC. 2. Section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by deleting the term "\$2,650,000,000" and inserting in lieu thereof the term "\$3,650,000,000";.

SEC. 3. Section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby amended by changing the designation thereof to section 7 (a) and by deleting from the first sentence thereof the term "June 30, 1943", and inserting in lieu thereof "June 30, 1947, or the end of the second year following the first day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated, whichever is the later"; and is further hereby amended by striking out the period at the end of the section and inserting in lieu thereof a comma and the following: "without regard to provisions of any other existing law relating to public funds: *Provided, however,* That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business.

"(b) The financial transactions of the Corporation beginning with the period from July 1, 1943, shall be audited by the General Accounting Office (in accordance with the principles applicable to commercial corporate transactions) and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That the Corporation shall continue

to have the authority to make final and conclusive settlement and adjustment of any claims by or against the Corporation or the accounts of its fiscal officers: *Provided further*, That a report of such audit shall be made to the Congress, together with such recommendations as the Comptroller General may deem advisable, and that each such report shall cover a period of one fiscal year and shall not be made until the Corporation and the Secretary of Agriculture shall have had a reasonable opportunity, not to exceed ninety days, to examine the report, point out errors therein, explain or answer the same, and file a statement which shall be submitted by the Comptroller General with his report: *Provided further*, That a copy of each such report shall be furnished the Secretary of the Treasury and that the findings contained therein shall be considered by the Secretary in appraising the assets and liabilities and determining the net worth of the Corporation under sections 1 and 2 of the Act of March 8, 1938 (52 Stat. 107), as amended: *Provided, however*, That nothing in this section shall be construed as modifying legislation authorizing the use of funds of the Corporation for administrative expenses and requiring accountability therefor.

"(c) The expenses of the audit as provided in this section may be paid up to and including June 30, 1945, from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General: *Provided*, That any such advances or reimbursements shall be considered as nonadministrative expenses of the Corporation. For the purposes of such audit the representatives of the General Accounting Office shall have access to all papers, books, files, accounts, financial records, warehouses, and all other things, property, and places belonging to or under the control of or used or employed by the Corporation and shall be afforded full facilities for verifying transactions with and balances in depositaries and with fiscal agents: *Provided*, That the certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business may be accepted by the General Accounting Office in its audit of the financial transactions of the Corporation as final and not subject to further audit verification.

"(d) Any examination of the corporate records shall be made at the place or places where such records are normally kept in the transaction of the corporate business, and the Corporation shall retain custody of contracts, vouchers, schedules, or other financial or accounting documents, either original or duplicate, relating to its nonadministrative transactions."

SEC. 4. The Federal Reserve banks are hereby authorized to act as depositaries, custodians, and fiscal agents for the Commodity Credit Corporation.

### STATEMENT OF CHESTER C. DAVIS

MR. CRAWFORD. Mr. Chairman, may I ask a question before we proceed with the hearing?

THE CHAIRMAN. Certainly.

MR. CRAWFORD. I would like to know personally how long the hearings are likely to run. It seems to me we are tackling one of the most far-reaching measures that has ever been proposed to this Congress, that is, if I understand its objectives, and unless I have to leave the city in connection with some other committee work I think I am going to have quite a number of questions to ask in connection with this proposal. And I am just wondering if we could get a rough estimate of how long these hearings will run.

THE CHAIRMAN. Of course, that matter rests entirely with the committee. I am glad to express myself about the matter. I introduced this bill for the consideration of the committee. I started to go over the bill with a view to making some changes before I introduced it but I thought it would be a better plan to introduce the bill as it has been submitted by the Commodity Credit Corporation's officials for the consideration of the committee because whether I happen to



approve of every provision of it I felt that the entire bill as proposed by them and favored by them should be submitted to the committee for its consideration so I abandoned the thought of changing the bill and introduced it with that thought in mind.

I talked with Mr. Hutson this morning but he is before a committee of the Senate and said that he could not get here before 11 o'clock. Frankly, I do not mean to try to hurry the meeting of the committee this morning, but Mr. Chester Davis is here to make a statement, after which Mr. Hutson will appear. I have also had a request to hear the representatives of some of the farm organizations in connection with the legislation. As you say, of course, it is very important, and if we give the matter the study that I feel that it deserves, I think we are going to have several days of hearings. That is my view of the matter. Of course, it is for the committee to decide.

Mr. PATMAN. Does this bill include subsidies?

The CHAIRMAN. Well, yes. All that is involved in this legislation.

Mr. PATMAN. It is not included in the bill, Mr. Chairman, but there are occasions of paying subsidies without reference to legislation, and it is included in the subject.

The CHAIRMAN. It may be said to include subsidies because this is a bill to appropriate an additional billion dollars to the Commodity Credit Corporation, and as the bill is written it contemplates a continuation of their present activities. It does cover the field of subsidies in various lines. Answering Mr. Crawford, frankly, I do not know any way that we can give consideration to this bill without some days of hearings so that people who are interested may have their say and the matter be fully understood by the members of the committee.

Mr. SMITH. I wonder if it is possible, of course, to have the unrevised committee print promptly on the morning following the day of the hearing. Since this is an important piece of legislation, I think we should have those prints so we can study the testimony.

The CHAIRMAN. It is perfectly all right. There will be no trouble in having that done. I assume it is true with other members of the committee, it is true in my case, there are many things about this situation with which I am not familiar and that I think should be developed and understood by the committee. At the moment, I suggest that we permit Mr. Chester Davis to discuss the bill. Mr. Davis is here for that purpose. He needs no introduction to this committee. I am sure that all the members of the committee are familiar with your various governmental activities and we want to have you, Mr. Davis, proceed in your own way and discuss this bill. If you desire to make an uninterrupted statement, the committee will permit you to do so.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. SMITH. Does Mr. Davis have a copy of his statement so that we can follow him here? Each one of the members of the committee would like to have a copy of the statement.

The CHAIRMAN. Do you have the statement in sufficient number to supply each member with a copy?

Mr. DAVIS. We could get them up to you this afternoon or tomorrow morning, Congressman Smith, but I do not have them with me.

Mr. PATMAN. They will be printed.

The CHAIRMAN. If you want them during the day they can supply them for you.

Mr. SMITH. I meant merely to follow you as you read the statement.

Mr. DAVIS. I am sorry. We have this statement which is largely historical, and I think sets the basis for Mr. Hutson's statement to the committee, and probably for questions which the committee may wish to ask me about policy. So far as the details of the policies of the Commodity Credit Corporation during recent years are concerned, as the chairman knows, I have not been in close touch with it. The Commodity Credit Corporation was transferred to the War Food Administration, of which I am now the head, in mid-April of this year, so my connection with it for the second time has been fairly recent.

In connection with proposed legislation to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis for the annual appraisal of its assets, and provide for an audit by the General Accounting Office of its financial transactions, and for other purposes, I should like to discuss briefly, if I may, the history of Commodity Credit Corporation and bring to the committee's attention some of the major activities in which the Corporation has been engaged in recent years, as well as the more important activities which it is currently undertaking.

The CHAIRMAN. Mr. Davis, may I interrupt you.

Mr. DAVIS. Yes, indeed, Mr. Chairman.

The CHAIRMAN. You speak of the history of the Corporation. You do not touch in that connection the history of the various acts of the Congress under which the Corporation has functioned?

Mr. DAVIS. I have some of that in my statement.

The CHAIRMAN. All right. I am glad you have.

Mr. DAVIS. It seems to me that that is fundamental in considering the history of the Corporation. I will also touch upon some of the more important activities that the Corporation has engaged in in recent years.

In the fall of 1933 the prices of agricultural commodities were at extremely low levels. Widespread distress and unemployment had greatly reduced the demand for agricultural products, and resulting surpluses further demoralized commodity markets. To assist in alleviating this situation and restore agricultural purchasing power, Commodity Credit Corporation was created, pursuant to the provisions of the National Industrial Recovery Act. Under the direction of Executive Order 6340, dated October 16, 1933, it was incorporated as an agency of the United States under the laws of the State of Delaware on October 17, 1933.

#### HISTORY

All of the Corporation's capital stock is owned by the United States Government. Under the Presidential reorganization order, effective July 1, 1939, the Corporation became a part of the United States Department of Agriculture, and the exclusive voting rights of the Corporation's stock were vested in the Secretary of Agriculture under an Executive order of the President dated August 7, 1939. Prior to that time, Commodity Credit Corporation was an independent agency of the Federal Government. It was managed and operated in close affiliation with the Reconstruction Finance Corporation. All of its loans, however, were made as required by law upon recommendation of the Secretary of Agriculture and with the approval of the President.



The original authorized capital stock of Commodity Credit Corporation was \$3,000,000. Under an act of Congress of April 10, 1936, the Corporation was authorized to increase its capital stock to \$100,000,000. Prior to March 8, 1938, funds, in addition to the capital stock required to finance loan programs were obtained by borrowing on the security of pledged collateral, principally from the Reconstruction Finance Corporation. Under an act of Congress approved March 8, 1938, the Corporation was authorized to issue and have outstanding at any one time obligations guaranteed by the United States in an aggregate amount not exceeding \$500,000,000. The Congress has increased the borrowing power of the Corporation from time to time; on March 4, 1939, to \$900,000,000, on August 9, 1940 to \$1,400,000,000, and on July 1, 1941, to the present authorization of \$2,650,000,000.

The Congress has also provided for readjusting the net worth of Commodity Credit Corporation to the amount of \$100,000,000 once each year after the Secretary of the Treasury has appraised the assets and liabilities of the Corporation as of each March 31.

In other words, if there has been an impairment of the capital of the Corporation as shown by the appraisal by the Secretary of the Treasury, then Congress authorizes the restoration of the capital to \$100,000,000. If, on the other hand, there should be a surplus, it is cut back to \$100,000,000.

The CHAIRMAN. That was in the act which transferred the Commodity Credit Corporation to the Treasury and severed its connection with the Reconstruction Finance Corporation; is that right?

Mr. DAVIS. As I remember it, that was done in 1938, Mr. Chairman.

Originally there was no limitation on the life of Commodity Credit Corporation. On January 31, 1935, legislation was approved providing for the continuance of the Corporation as an agency of the United States until April 1, 1937, or such earlier date as might be fixed by the President of the United States. Since this legislation was approved the Congress has extended the life of the Corporation three times. First, by an act approved January 26, 1937, its life was extended until June 30, 1939. Second, on March 4, 1939, its life was extended until June 30, 1941, and third, on July 1, 1941, its life was extended until June 30, 1943.

I think it is significant to point out, however, that by joint resolution—Public, No. 74, Seventy-seventh Congress, as amended—approved May 26, 1941, Commodity Credit Corporation was directed to make loans upon the 1941, 1942, 1943, 1944, 1945, and 1946 crops of the commodities of cotton, corn, wheat, rice, tobacco, and peanuts for which producers had not disapproved marketing quotas for the marketing year beginning in the calendar year in which such crop is harvested. In addition, under the Steagall amendment—Public, No. 147, Seventy-seventh Congress, approved July 1, 1941—the Secretary of Agriculture was directed during the existing emergency to use the credit resources of Commodity Credit Corporation to support a price to farmers for any nonbasic agricultural commodity with respect to which expansion in production is necessary at a price not less than 85 percent of parity or comparable price. The Steagall amendment further provides where loan, purchase, or other price-support operations are undertaken, they shall be continued until public announcement has been given to producers in sufficient time for them to make readjustments in the production of the commodity.

More recently, under date of October 2, 1942, the Congress amended certain provisions of the Steagall amendment and provided that the provisions of this amendment should remain in force during the continuance of the present war and until the expiration of the 2-year period beginning with the first day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated. In addition, the language referring to 85 percent of parity was amended to 90 percent of parity.

Under Executive Order 9334 dated April 19, 1943, Commodity Credit Corporation was made a part of the War Food Administration.

#### ACTIVITIES OF THE CORPORATION UP TO JULY 1, 1941

Up to July 1, 1941, the activities of Commodity Credit Corporation were confined primarily to loans on butter, corn, cotton, dates, figs, hops, mohair, peanuts, pecans, prunes, raisins, rice, tobacco, turpentine, rosin, wheat, and wool.

These loan programs were undertaken in response to various legislative, Presidential, and administrative directives. Some of the Corporation's loans were mandatory and some were not; some loans were made with recourse on the borrowers and some were not; some loans were made to individual producers and some were made to associations of producers; some loans were made directly by the Corporation and some were made indirectly through local private banks under a contract whereby the Corporation agreed to take over the loans on the demand of the private lending agency. I do not wish to minimize the activities of the Corporation during this period for I feel that these loan programs were necessary in the interest of our national economy. Instances could be cited where these loans meant the difference between 5-cent and 9-cent cotton, 25-cent and 57-cent corn, 10-cent and 20-cent tobacco, 35-cent and 65-cent wheat, 15-cent and 25-cent butter, and similar differences on several other commodities.

The functions of the Corporation's loan programs in protecting farm prices become greatest, of course, under emergency conditions. For instance, the abnormal 1937 cotton crop of approximately 19,000,000 bales came about in part as an aftermath of the invalidation of the former Agricultural Adjustment Administration processing tax program. It would have meant untold suffering not only to the South but also to the entire Nation if it had not been possible for Commodity Credit Corporation to place a floor under what otherwise would have been a most drastic decline in cotton prices. Another great emergency arose during the year 1939 in the case of flue-cured tobacco. A large percentage of this crop is normally sold to Great Britain, which usually carried about a 2 year's stock on hand in the course of its curing process.

Upon the outbreak of hostilities in Europe, Great Britain apparently felt that it was desirable to discontinue using its dollar exchange for the purchase of additional supplies of American tobacco in order to be able to purchase more of other products of which it had smaller supplies. Consequently, the English tobacco companies were obliged to withdraw from buying in the American market, and our farmers who could not hold their tobacco faced ruinously low prices. In fact, the situation became so distressed that the flue-cured tobacco markets were closed. Fortunately, it

was possible to develop a program within a few days under which Commodity Credit Corporation was able to supply a remedy. This made possible the reopening of the markets and enabled American farmers to sell their 1939 crop of flue-cured tobacco at prices substantially the same as those that had prevailed before the emergency.

This purchase of tobacco for the British trade is significant in that it was the beginning of a series of undertakings directly related to the War. With the passage of the Lend-Lease Act, Commodity Credit Corporation became the financing agency for the purchasing of agricultural commodities. The administration of the Lend-Lease program has been carried on by the other agencies of the Department. Later corn and wheat were sold for alcohol to be used in the war effort. Wheat was sold to supplement other grains for feed. These sales were made at prices below the cost of the grain to Commodity Credit Corporation, and losses through April 30, 1943, were about \$73,000,000.

Under the Steagall amendment a series of price supports were announced. In some cases the support prices announced proved to be above the ceiling prices. In such cases the losses were absorbed by the Commodity Credit Corporation. These operations, including the sales of corn and wheat, make up a large part of the subsidy operations. In addition, some losses have been incurred on cheese, coffee, cocoa, fluid milk, sugar, and dairy cattle. To April 30, 1943, the losses on this type of subsidy program have amounted to less than \$15,000,000.

The realized and appraised losses of the Commodity Credit Corporation from the date of its organization through March 31, 1942, were approximately \$144,000,000. With the method of inventory as proposed, which we believe is sound accounting, the losses and gains on the balance sheet for the period from April 1, 1942, through June 30, 1943, would roughly equal, so that the total losses would approximate the figure indicated above at the close of this fiscal year.

Loans and purchases made by the Corporation to date approximate \$6,300,000,000, of which about \$2,000,000,000 represent purchases of agricultural commodities under the lend-lease program. The operations have greatly expanded in recent years, but even excluding the lend-lease purchases, the total operations during the past 2 years are roughly equal to those of the previous 8 years. With less emphasis on payments in the farm program and more on the price supports authorized in the Steagall amendment, further expansion of the operations is anticipated.

Mr. Chairman, that concludes the formal statement that was prepared for me to give to the committee here this morning.

In answer to the question on the dairy cattle purchases through March 31, 1943, losses amounted to \$6,717.92.

Mr. BALDWIN. That program has just been instituted very recently?

Mr. DAVIS. I would imagine that was carried out in connection with the Farm Security Administration acting as agent for Commodity Credit Corporation in the purchase and distribution of the dairy cattle.

Mr. BALDWIN. At what time?

Mr. DAVIS. This runs through March 31, 1943.

Mr. BALDWIN. When was that program started?



Mr. DAVIS. It has been in recent months, since January 1, 1943.

Mr. MONRONEY. Other agencies are doing the same thing, the Farm Security Administration.

Mr. DAVIS. No, our purchases were in connection with the Farm Security distribution of dairy cattle.

As I have said, Mr. Chairman, I wanted to make a general statement. Now I would like to have the committee ask any general questions. I will not guarantee that I will be able to answer them. I will try to discuss any of them that I can, but the president of the Corporation, Mr. J. B. Hutson, who has been associated with the Corporation since it was set up, really is the proper one to go into the details of any of these programs with the committee.

Mr. FORD. Only one appraisal of the assets and liabilities of the Corporation shall be made during the calendar year 1943, which shall be made on the basis established by this amendment, which is the last month of the fiscal year covered by the appraisal. That is, the market price would enhance by taking the basis of what you owed on a higher price than what you had; would it not?

Mr. DAVIS. Yes; that is correct, if we take the basis of current values, Congressman Ford, and appraise the Corporation's assets on that basis. As I said in my statement, it would show that appreciation.

Mr. FORD. In other words, that would hold your total losses down to \$140,000,000?

Mr. DAVIS. \$144,000,000.

Mr. FORD. \$144,000,000 approximately.

Mr. DAVIS. But, of course, I do not know whether those are realizable losses or not.

Mr. BALDWIN. What do you think would have happened had this situation due to the war not occurred?

Mr. DAVIS. You mean if there had been no war?

Mr. BALDWIN. We have a market for everything now. Suppose we had not that and suppose the war situation had not come about. What would have been the situation with the Commodity Credit Corporation as to losses?

Mr. DAVIS. It would have continued the same loan program that it has been carrying on for the first 8 years of its life.

Mr. BALDWIN. So far as the losses are concerned, what would be your idea of that?

Mr. DAVIS. I do not think its losses would have been extended unduly. It depends upon how high the Corporation was directed to go in making its loans. If it placed the loans on a fairly conservative basis and if the adjustment program operated reasonably well to keep supplies in balance with demand, I would say they would have gone through with no appreciably greater rate of loss than they had during the first 8 years of their life, which you remember was during a period of considerable difficulty.

Mr. BALDWIN. But up until the war broke out you had how many bushels of wheat? How many bushels of wheat did the Government own?

Mr. DAVIS. I am sorry I cannot tell you.

Mr. BALDWIN. Practically a year's supply?

Mr. DAVIS. I doubt if we had a year's supply under loan at that time. We might have at some time reached a year's supply.

Mr. BALDWIN. Those loans were guaranteed above the market price at the time?

Mr. DAVIS. Well, in some cases they were. Generally I would say that they tended to establish market price, you see. That is, when you set a loan value to which the farmers could turn, why that tended to establish the market price and it was never the policy of the Congress to shoot them up so high that it was not a workable program.

Mr. GIFFORD. Can you give us the amount of the liability of local banks on guaranteed loans?

Mr. DAVIS. Again I say I would prefer you to ask the president of the Corporation, Mr. Hutson, when he comes. He can give those figures.

Mr. GIFFORD. With reference to the borrowing power, you cannot guarantee loans greater than the borrowing power and the capital that you have?

Mr. DAVIS. No. They are included in the commitments of the Corporation.

Mr. GIFFORD. You are limited there?

Mr. DAVIS. Well, I say the figures are available and I would prefer, if the committee pleases, that you remember that while I was a member of the original board of directors of the Commodity Credit Corporation, back in 1933, and so continued until my resignation in 1936, I have only been on this job now since a little over a month, and I have not had an opportunity to familiarize myself with these figures.

Mr. GIFFORD. You have not touched yet on the need of increasing the borrowing power a billion dollars. Does the activity and the cost of the lend-lease operation have anything to do with the lessening of the borrowing power? You simply act as agent? They have the money, don't they?

Mr. DAVIS. The Commodity Credit Corporation, acting through the Food Distribution Administration, purchases, and then sells to Lend-Lease.

Mr. GIFFORD. You do not think you need any increase in borrowing power for that purpose, is that right?

Mr. DAVIS. That is right.

Mr. GIFFORD. Do you buy goods and take over the ownership and then transfer them to the lend-lease and get your money; do you know?

Mr. DAVIS. That is right, on the lend-lease operation, yes, sir.

Mr. GIFFORD. Mr. Davis, there is one thing I need to be convinced about. I will tell you how I feel about the matter. When you say this corporation was originally set up to raise the prices of agricultural products where necessary, granting that it has done a very good job, but with the prices of agricultural products now, most of them about parity, here you not only want to continue but you want to make it vastly greater?

Mr. DAVIS. That is right.

Mr. GIFFORD. So that you contemplate great activities in the future apparently, or else your borrowing power is exorbitant. And now that parity prices have almost been reached, you still want a vast and greater amount.

Mr. DAVIS. That is right. The Commodity Credit Corporation will be the most convenient agency, Congressman, through which we will carry out what in fact are contracts with the farmers for support

prices in order to get the war production that we are going to need. The Congress has already provided that this shall be extended for a period of 2 years after the end of the war. Now, some mechanism has to be available for Federal administrators who are given that responsibility to carry them out. Let us take the case of wheat which is a commodity which has not reached parity and which amounts to a very considerable loan program. The loan rates are fixed at not less than 85 or 90 percent of parity and are mandatory by law.

Mr. GIFFORD. Is that higher than the present market price?

Mr. DAVIS. No, no.

Mr. GIFFORD. You say the loan is 85 or 90 percent of what ought to be parity.

Mr. DAVIS. That is right.

Mr. GIFFORD. What is the market price?

Mr. DAVIS. I would say the market price at the moment is about 22 cents under parity, parity being around \$1.50.

Mr. GIFFORD. How much?

Mr. DAVIS. On wheat it is about 22 cents, I think, under the parity figure. Parity is around \$1.50.

Mr. GIFFORD. Well then, this is above the market price?

Mr. DAVIS. No.

Mr. GIFFORD. You say 22 percent?

Mr. DAVIS. I did not, sir. I said 22 cents.

Mr. GIFFORD. Oh, 22 cents.

Mr. DAVIS. It is 22 cents below the parity price of approximately \$1.50.

Mr. GIFFORD. And you want to have a billion dollars more which you believe is needed to keep a floor price under a larger amount; is that it?

Mr. DAVIS. Let me approach it this way. We are asking the farmers of the United States to plant to the limit for the production of food and feed crops, not only for the United States and its armed forces, but because of demands that arise from all over the world. The farmers are not asking for a sharp rise in the average price of farming commodities. They do want some assurance that if they extend their activities and extend their acreage there is a floor under their prices upon which they can depend if there should be a sudden drop in hostilities and perhaps a market reaction, also personally I think the demand for food will run on for years after the war comes to an end. And it is different in that respect from the need for munitions and things of that sort.

Mr. GIFFORD. If I understand, Mr. Davis, your job is to see that the farmers produce all that you can make them produce.

Mr. HULL. Without any equipment or help to produce it.

Mr. DAVIS. It is our job also to try to give them help on that.

Mr. GIFFORD. Your job is to get them to produce as much as possible and you want to see them protected by Federal funds in so doing that, not only to feed our own people but in order to protect them even on that which they export to other nations. You want to put a floor under it so that they can depend upon it and later on when you export to other nations you may have to take plenty. But I do not want to go into that now. But the whole plan is to have a large fund provided so that other nations can buy. That is Mr. Morgenthau's proposition. But in the event that our farmers export and we have a floor here with our money they will get their money and the Govern-



ment has to stand back of course and not only the difference between the floor and the price but the entire amount. You want to see to it that our exporters whether they are farmers or not farmers, if they export that they are going to have some way provided to see to it that all exporters can get their money by way of taking a pledge from other nations and then cashing it on the guaranty of our Government. I am inclined to bring that out to show how far that thing may go. I have not made myself clear, I am sure.

Mr. DAVIS. May I comment on the last thought to this extent? That is not my responsibility. Mine does not extend to the point you have been discussing.

Mr. GIFFORD. Not to the exporting feature?

Mr. DAVIS. No. When the individual farmer up here is growing wheat or cotton or corn or hogs and what have you he has not the remotest idea of whether that crop is going to move for domestic consumption or into foreign trade. He only knows he is being asked to produce it. He wants to know that he is going to have a chance to come out whole. He has not been asking for unreasonable prices. But he does want some security. The reason I am advocating the extension of the life and the increase in borrowing power is because that is one forthright way in which we can make advance announcements of support prices on which farmers can plan, and which I think is the most effective way to meet this problem.

Mr. GIFFORD. Now I want to make a statement about that. When he exports or sells and they are unable to pay him he still has this floor where we will pay him; isn't that right?

Mr. DAVIS. The farmer himself does not export. When he produces this crop he does not know whether that is going to move in export or domestic consumption.

Mr. GIFFORD. You say the farmers, these vast cooperatives, do not export?

Mr. DAVIS. Very little. And as an individual farmer he does not export.

Mr. GIFFORD. But they could, couldn't they?

Mr. DAVIS. Well, they probably could.

Mr. GIFFORD. Well, there will be some machinery set up where these exports will take place and we will set up this floor and have to take the responsibility of the export?

Mr. DAVIS. Certainly.

Mr. GIFFORD. You think they will?

Mr. DAVIS. The individual farmer does not export.

Mr. GIFFORD. Secretary Morgenthau's plan, of course, is that the exporter will be taken care of and you plan, no matter how much the farmer raises or where it goes, he is going to have a floor.

Mr. DAVIS. I will tell you where it goes so far as the local farmer is concerned, it goes to his local shipping point and at that point ordinarily he loses title to it by sale. He may consign it to some terminal market, but in any event ordinarily the transaction is completed in the very shortest possible time. It never occurs to him to wonder whether the product goes into the export or the domestic market.

Mr. GIFFORD. He won't have to worry apparently with this plan.

Mr. DAVIS. No; his worries cease when he sells his crop.

Mr. FORD. Isn't it a fact that Congress and the Secretary of Agriculture induce the farmer or producers to increase production and

market them at a fair market price? I recall right in this committee where we put such a provision in the law, and the Secretary of Agriculture told the people to go out and increase production. Naturally, if the Government did that, the responsibility rests with it to see that these people are protected after they produce the food to see that the stuff is not going to be thrown back on their hands with no price at all.

Mr. DAVIS. I feel that way.

Mr. CRAWFORD. May I ask a question along the lines of the one that Mr. Gifford raised, at this point?

The CHAIRMAN. Yes.

Mr. CRAWFORD. Mr. Davis, if I understood you correctly, you said that the Commodity Credit Corporation purchases these commodities and takes title to them and acquires ownership for subsequent distribution to or through lease-lend?

Mr. DAVIS. On some commodities.

Mr. CRAWFORD. That is what I mean.

Now, to the extent that you do that you must have credit authority unless they transfer their funds to you when you turn over the commodities which you purchase?

Mr. DAVIS. You mean we must have a revolving fund that is adequate to handle the transaction?

Mr. CRAWFORD. Yes.

Mr. DAVIS. Yes. I would say so. Mr. Hutson happens to be here now, Mr. Crawford, and he can better express just how those things are handled than I.

Mr. CRAWFORD. The only reason I brought up that question is because I think Mr. Gifford's question was incomplete in that it did not go in and develop that part of it.

Mr. DAVIS. Yes.

Mr. CRAWFORD. There is only one other question that I want to ask at this point. You may not be able to answer this. Would the Administrator of the Commodity Credit Corporation mind furnishing the members of this committee with your most recent balance sheet in considerable detail and then take that same balance sheet on a pro forma basis and effectuate the consequences of this change and method of inventory? Do I make myself clear?

Mr. DAVIS. I think so.

Mr. HUTSON. I did not follow the first part of the testimony. I do not understand what you mean by "this method."

Mr. DAVIS. That is the revised method that has been discussed here.

Mr. CRAWFORD. What I would like to have, looking forward to my interest in this particular bill, is a copy of your most recent balance sheet.

Mr. HUTSON. Yes.

Mr. CRAWFORD. In considerable detail. Now, I do not mean page after page, but I mean sufficiently in detail so that when we look at it we know what is involved in this.

That is No. 1. Of course, that balance sheet will be made on the basis of the law as of today. Then a pro forma balance sheet reflecting the change in values of the inventoried commodities which would occur if on that given date you inventoried according to the language of this bill.

Mr. HUTSON. Yes, sir. We can do that. It may require a day or two to get it done.

Mr. CRAWFORD. It would be a very simple operation?

Mr. HUTSON. Yes; we can do that.

Mr. CRAWFORD. That gets before us, then, a financial figure of what we are talking about here and what we have got to deal with.

(The statements are as follows:)

*Realized losses and estimated appraised losses on basis present law Mar. 31, 1943*

[In thousands of dollars]

	Total realized and appraised losses Mar. 31, 1942	Losses (or gains) Mar. 31, 1943			Decrease (-) or increase (+)
		Realized	Appraised	Total	
Cotton.....	29,545	(54,792)	30,681	(24,111)	-53,656
Corn.....	57,609	41,035	1,363	42,398	-15,211
Wheat.....	60,643	47,488	82,893	130,381	+69,738
Rye, barley, other grains.....		20	1,000	1,020	+1,020
Tobacco.....	2,489	2,217		2,217	-272
Naval stores.....	4,822	4,154	2,000	6,154	+1,332
Fluid milk.....		2,432		2,432	+2,432
Cheese.....		4,146		4,146	+4,146
Sugar.....		1,542		1,542	+1,542
Coffee.....		718		718	+718
Cocoa.....		643		643	+643
Domestic oilseeds and products.....		11,335		11,335	+11,335
Foreign fats and oils.....		829		829	+829
Hops.....	961	961		961	
Other.....	188	300		300	+112
Total.....	156,257	63,028	117,937	180,965	+24,708
Profit on exchange of cotton for rubber.....	11,101			11,091	-10
Net operating expenses.....	145,156 (1,205)			169,874 11,490	+24,718 -12,695
Total capital impairment.....	143,951			181,364	+37,413

*Realized losses and estimated appraised losses on basis of proposed law Mar. 31, 1943*

[In thousands of dollars]

	Total realized and appraised losses Mar. 31, 1942	Losses (or gains) Mar. 31, 1943			Decrease (-) or increase (+)
		Realized	Appraised	Total	
Cotton.....	29,545	(54,792)		(54,792)	-84,337
Corn.....	57,609	41,035		41,035	-16,574
Wheat.....	60,643	47,488	1,500	48,988	-11,655
Rye, barley, other grains.....		20		20	+20
Tobacco.....	2,489	2,217		2,217	-272
Naval stores.....	4,822	4,154		4,154	-668
Fluid milk.....		2,432		2,432	+2,432
Cheese.....		4,146		4,146	+4,146
Sugar.....		1,542		1,542	+1,542
Coffee.....		718		718	+718
Cocoa.....		643		643	+643
Domestic oilseeds and products.....		11,335		11,335	+11,335
Foreign fats and oils.....		829		829	+829
Hops.....	961	961		961	
Other.....	188	300		300	+112
Total.....	156,257	63,028	1,500	64,528	-91,729
Profit on exchange of cotton for rubber.....	11,101			11,091	-10
Net operating expenses.....	145,156 (1,205)			53,437 11,490	-91,719 -12,695
Total Capital Impairment.....	143,951			64,927	-79,024

*Balance sheet, Mar. 31, 1943—Continued**Balance sheet, Mar. 31, 1943*

## ASSETS

Cash.....		\$40,723,481.72
Notes receivable.....		275,761,785.80
Accounts receivable.....		41,414,614.63
Inventories:		
Agricultural supplies.....	\$112,568,586.53	
Barley (465,470 bushels).....	219,880.44	
Corn (51,991,567 bushels).....	40,576,471.11	
Cotton (3,340,901 bales).....	204,154,932.37	
Dairy products.....	620,733.22	
Foreign purchases.....	113,596,286.11	
Other commodities.....	829,606,669.72	
Rye (513,574 bushels).....	310,977.49	
Tobacco (286,399,267 pounds).....	118,190,400.11	
Wheat (245,367,866 bushels).....	279,742,340.26	
Total.....	1,699,587,277.36	
Accrued charges on commodities owned.....	14,648,006.53	
		1,714,235,283.89
Fixed assets.....		26,391,297.61
Deferred charges and prepaid expenses.....		831,662.47
Total assets.....		2,099,358,126.12

## LIABILITIES AND RESERVES

Notes payable:		
Series F.....	\$289,458,000.00	
Series G.....	411,596,000.00	
U. S. Treasury.....	850,000,000.00	
		\$1,551,054,000.00
Bank loans payable:		
Demand loans.....	73,315,000.00	
Letters of credit.....	4,393,470.19	
		77,708,470.19
		1,628,762,470.19
Accounts payable.....		293,433,582.29
Contingent liabilities (\$537,842,459.77): <sup>1</sup>		
Reserve for losses.....		77,162,073.64
Total liabilities and reserves.....		1,999,358,126.12

## NET WORTH

Capital stock.....	100,000,000.00
Total liabilities, reserves, and net worth.....	2,099,358,126.12

<sup>1</sup> See the following:

Loans by private banks.....	\$525,322,024.58
Applications for letters of credit.....	12,520,435.19
Total.....	537,842,459.77

Mr. WOLCOTT. Mr. Davis, will you discuss the necessity for this additional billion dollars if we do not subsidize agricultural prices?

Mr. DAVIS. As my statement indicated, there are and have been cases in our operations where support prices are higher than the ceiling prices fixed by the Office of Price Administration. There have been some losses. I can give you, although I would prefer that Mr.



Hutson do it, a break-down showing precisely where the losses have been incurred in the past.

Mr. WOLCOTT. Those losses were occasioned by ceiling prices put on by the Office of Price Administration?

Mr. DAVIS. That is one case.

Mr. WOLCOTT. That is a matter of administration.

Mr. DAVIS. We are operating, for example, in an effort to bring about maximum production of soybeans and flaxseed. The Commodity Credit Corporation operates there what is in effect a purchasing program where we purchase from the grower at the support price contracting back to the miller, at a price which may involve a loss to the Corporation. There are a number of instances in which a loss may be involved and there are other instances, as Mr. Crawford brought out, where you have to have enough of a fund here to handle your revolving fund operations.

Now I will point out to the committee that this \$1,000,000,000 increase asked for at this time is no larger, in fact it is not as large, as the last increase granted by the Congress in the borrowing power of the Corporation. That was \$1,250,000,000, the last one.

Mr. WOLCOTT. When you buy at a price higher than the ceiling and you sell at the ceiling price that constitutes a subsidy?

Mr. DAVIS. That is right.

Mr. WOLCOTT. Then will you need this billion dollars if the Congress decides that you shall not subsidize the prices of farm products, if we insist upon an increase in the ceiling to absorb the difference, absorbing what would perhaps constitute your loss?

Mr. DAVIS. That is only one illustration. There are many others. I mentioned the fact that during the early years of the war I think continuing right down to now there was a shortage of wheat and corn for production of alcohol to be used in the war effort. The Corporation has absorbed a loss in that.

Mr. WOLCOTT. But the intent of Congress is pretty well indicated that they do not favor subsidies. Now you are asking us for a billion dollars so that you can continue, perhaps not in defiance of Congress in that respect, but contrary to the wishes of Congress in respect to subsidies.

Mr. DAVIS. I question whether that is justified, Mr. Congressman, in view of the fact that we are up here openly before Congress, and you have the full power to act on it in any way you see fit.

Mr. WOLCOTT. That is what I am getting at. If the Congress sees fit to attach an amendment to this bill providing that you shall not subsidize farm prices thereby compelling the Office of Price Administration to increase their ceilings to absorb this price, what I am getting at is whether you will have any need of these additional funds.

Mr. DAVIS. We will, unquestionably.

Mr. WOLCOTT. How much?

Mr. DAVIS. I would be pretty careful about the way labels are thrown around. That is, you have many other cases involving risk of loss to the Commodity Credit Corporation, and had them so for years, during which time you have three times increased the authority to borrow, without respect to this question which comes up now to subsidize. That has been done by Congress three times and once in an

amount larger than this request and in the aggregate of the other two in an amount larger than this.

Mr. WOLCOTT. You assume that you have the right to subsidize and the Congress assumes that you have not the right to subsidize. The increase in capitalization is predicated upon the thought that you have the right to subsidize.

Mr. DAVIS. I beg your pardon. I think there has been none of the activities of the Commodity Credit Corporation involving risk of loss that have been carried out contrary to acts of Congress.

Mr. WOLCOTT. That again is a question of opinion.

Mr. DAVIS. Let me tell you where it is dangerous to get this thing fixed in your mind on the basis of a label, to subsidize or not to subsidize. It has been quite important to dairymen and to poultrymen in the deficit area as well as in the production of industrial alcohol that we should be able to sell from the large stock of wheat, but not at the parity price for wheat, or not even at the 85 percent of the parity price of wheat, which was our loan value. We have sold wheat at a loss for feed. That has been done under the authorization of Congress. And so it will be very dangerous, I would say to the whole production effort of agriculture, if Congress attaches too much importance to labels, labeling a thing as a subsidy or not.

Now I am willing to administer this responsibility of mine absolutely under the rules laid down by this body and by the President of the United States.

Mr. WOLCOTT. You want to continue to maintain the prices, to keep the prices down to the general public and the prices up to the farmers by continuing your operations by selling the commodities above the ceiling and selling at the ceiling?

Mr. DAVIS. That is your statement and not mine.

Mr. WOLCOTT. Are you doing that?

Mr. DAVIS. May I state—

Mr. WOLCOTT. Are you doing it?

Mr. DAVIS. In the case of dried beans I would say where the Commodity Credit Corporation has announced a support price for next year's crop at above the ceiling price such a situation would develop. I would say that is not true in the bulk of operations the Commodity Credit Corporation has carried on that have involved losses. But I want to say just one thing to state my own position on that. My position is it is our responsibility in the War Food Administration to get the production. Neither Congress nor the President have given us the responsibility for the ceiling prices.

The CHAIRMAN. I am sorry to interrupt you, but we have an unusually important matter coming up in the House, and it is now after the noon hour and the members are anxious to be there. I am sorry, but we will have to continue this hearing tomorrow morning and I shall ask you to come back.

Let me ask you one thing, that you supplement your statement with respect to the history of this legislation by incorporating the various acts and everything either legislative or a directive by the Executive or otherwise which granted power or authority to the Corporation. That would then be the best basis upon which we can approach a discussion of this matter, it seems to me, and get a clearer understanding of the problem.

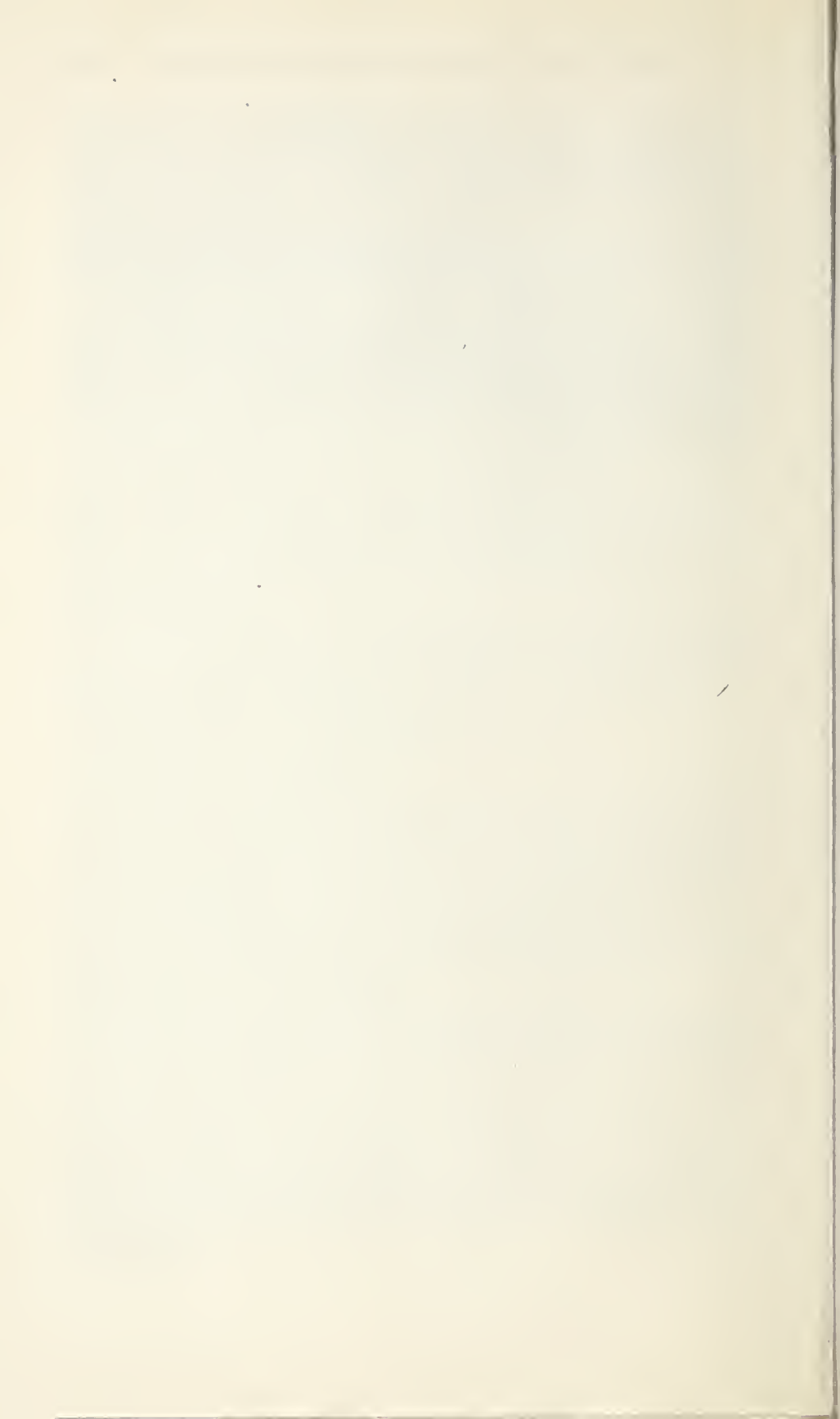
(The material requested appears on page 25.)

Mr. BALDWIN. In line with Mr. Wolcott's statement, in the Baltimore milkshed you just absorbed 35 cents per 100 loss on all the milk being sold in the Baltimore area. Now that is a strict subsidy and a complete loss. That would amount, figuring an average family consuming 2 quarts a day, which is a pretty conservative average, to 60 cents a month. But instead of putting the price up to the average family of 60 cents a month the Commodity Credit Corporation has assumed a loss of 35 cents a hundred on milk going into Baltimore or into the area; is that right?

Mr. DAVIS. I think that will involve considerable discussion. Why don't we just mark that No. 1 for tomorrow morning. I would like Mr. Hutson to discuss that.

(Whereupon the committee adjourned until 10:30 a. m., on Wednesday, May 19, 1943.)





## CONTINUANCE OF COMMODITY CREDIT CORPORATION

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WEDNESDAY, MAY 19, 1943

COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. Let the committee come to order. The committee has before it, for further consideration, H. R. 2725.

Mr. FORD. Mr. Chairman, the question raised yesterday by Mr. Wolcott as to whether the Commodity Credit Corporation intends to use the additional billion for the payment of subsidies, or as sometimes referred to as incentive payments, is an interesting one.

It is interesting for what it shows, if Mr. Wolcott is correct when he says Congress is against this type of payment. If the committee will recall we authorized the Secretary of Agriculture—I say “we,” meaning Congress—to encourage farmers to increase their production of certain crops such as soybeans and peanuts. It also authorized the Secretary to assure these farmers that they would be protected if the market failed to absorb the additional crops. By that I mean the Government assured them of a fair price for all they produced. I am reasonably certain that Mr. Wolcott approved of that provision.

Now these crops are coming into the market, and the O. P. A. in an effort to keep prices from skyrocketing fixes a ceiling on these products. It appears that this ceiling is below the market price. The purpose of the ceiling being to protect the ultimate consumer. But if the farmer is forced to take the price fixed by ceiling, he will be penalized for his effort to meet the Secretary's request for more production.

The Congress, with characteristic inconsistency, has been listening to slogans: No subsidies; no incentive payments. Therefore, in spite of its assurance to the farmer that if he produces, he will be protected, now repudiates its given assurance and would piously leave the farmer to his fate.

Now what is the alternative? Let prices bulge up through the ceilings. It might be temporarily profitable for the farmer, but consumer prices would also have to go up and then wages, and rightly so, would follow suit. Result, a vicious spiral of inflation would come on because Congress, allegedly straining every nerve to check inflation, verbally, and then blithely proceeds to remove its own checking devices and invites the deluge.

If that isn't cockeyed reasoning, then I don't know what is.

In other words Congress legislates price control, sticks out its collective chest and says “We dood it”; and then, bursting with indigna-

tion, it forswears subsidies or incentive payments and demands that the farmer once more become a rugged individualist and produce hell bent on his own.

If that's what we want, the logical thing to do is to abolish the A. A. A. program and liquidate the Commodity Credit Corporation and proclaim: Farmers, you are free! Go to it!

Mr. GIFFORD. That does not sound like a New York Times editorial.

Mr. FORD. It doesn't sound like a New York Times editorial? What do I care what a New York Times editorial sounds like?

Mr. GIFFORD. Where did you get that statement?

Mr. FORD. I wrote it.

Mr. GIFFORD. I don't doubt it.

Mr. FORD. I wrote it. That is where I got it.

Mr. GIFFORD. I am glad to know you did.

Mr. FORD. Those are my sentiments.

Mr. KUNKEL. Is that what you advocate?

Mr. FORD. No; I am not advocating that but I am saying unless you fellows are going to give subsidies then that is the logical thing to do.

Mr. WOLCOTT. In view of what Mr. Ford has said, of course, I agree there is much merit in his position. I think for the record our attention should be called to the fact that when we passed the Price Control Act we insisted in conference that a floor be put under the price of agricultural products and I presume there is a justification for the commodity credit program in that it maintains this floor of 90 percent under the price of agricultural products. So I don't think Mr. Ford's position is too well taken in that respect in view of what the Congress has already done.

Now, inasmuch as his statement was made for the purpose of crystallizing the agenda I might add to what he has said that there are many in Congress today who think that subsidies or incentive payments or whatever we might call them are much more inflationary than an adequate increase in the costs of agricultural commodities to absorb the difference between what the farmer gets and his cost of production. And it is brought about perhaps in this way: I will take an example which I have used occasionally. A can of beans sells for 12 cents but it develops that the can of beans cannot be sold for less than 13 cents if the transaction is to be profitable both to the farmer, processor, and distributor. Instead of raising the price of the can of beans to 13 cents, however, the Government steps in and pays the other cent and the consuming public then are taxed for the cent which the Government pays on the can of beans. Now, how does the Government get that money? It has to issue its bonds. The bonds are sold not altogether to the consuming public. It is our experience in the last bond drive on the \$18,000,000,000 we sold that only \$3,000,000,000 of that was taken by the consuming public and the rest of it or a large part of it was taken by commercial banks and the commercial banks used those bonds which were issued in consequence of the subsidy payments and proportionate to the amount of subsidy payments as security for any issues of currency and credit which, of course, we are doing everything we can to keep under control. In that manner it is the opinion of many Members of Congress it not only adds to the confusion but broadens the base on which the inflationary spiral might operate.

Mr. MONRONEY. Isn't the important thing to know whether the subsidy applies to increasing production or maintaining the production which is necessary for the war, or whether it is merely to stabilize some arbitrary fixed cost of living?

Mr. WOLCOTT. That is correct. This committee and this Congress, I believe 2 years ago said that where the Department of Agriculture encouraged the increase in production of any crop other than a nonbasic crop because that was already covered in the A. A. A. Act that they, the farmers, would be given assurance they would not be left with those crops on their hands following the emergency. And we provided safeguards whereby the Commodity Credit Corporation, if I remember correctly, could protect the farmer in that respect and that was a perfectly logical thing to do and we perhaps should expand that program. But the thought is if we go too far with that and have to subsidize all crops for the purpose of keeping prices down then perhaps we are doing something which is more inflationary than to absorb some of the purchasing power of the nation in a normal and natural way by raising under the control of the Office of Price Administration prices to absorb the increase in the cost of production.

Mr. FORD. That is what I wished you would bring out. Now we have it in the open and we know exactly what we are talking about.

#### FURTHER STATEMENT OF CHESTER C. DAVIS, FOOD ADMINISTRATOR

The CHAIRMAN. Mr. Baldwin.

Mr. BALDWIN. I was inquiring on the matter of subsidizing farm crops in lieu of raising prices and particularly the milk situation in Baltimore where the Commodity Credit Corporation subsidized the milk there at 35 cents per 100 rather than raise the price to the consumer.

Mr. DAVIS. Mr. Chairman, after the adjournment yesterday I gave some thought to the situation in which we had left the subject we were discussing and I would like to let the committee permit me now, since general statements seem to be in order this morning, to make a general statement.

The CHAIRMAN. We will be very glad to have you do so.

Mr. DAVIS. I would like to make a general statement that will clear up, I think, a little bit better the present situation of the War Food Administration. Then when the committee resumes, and, of course, I am available at any time and on hand to come up for question; that goes without saying.

Mr. Hutson, the president of the Commodity Credit Corporation, is the one I believe who should be interrogated by the committee on the specific acts such as the one Congressman Baldwin referred to yesterday, although I would be perfectly happy to discuss that too, to the extent that I can.

Mr. BALDWIN. Mr. Davis, just at that point, isn't practically all of the activity of the Commodity Credit Corporation now engaging in a subsidy program. I mean your activities in sustaining the prices, the necessity for that is out due to war conditions, and practically all the activities of the Commodity Credit Corporation now are carrying out a subsidy program. For instance, canneries, all canned goods are being subsidized through the Commodity Credit Corporation.



MR. DAVIS. No, Mr. Baldwin, I do not agree with that at all. I think Mr. Hutson will show when he reviews the action there is a continuity of policy in the actions of the Commodity Credit Corporation accounting for the overwhelming volume of our business in the Commodity Credit Corporation. There have been some recent actions which we will be very happy to discuss as they come up, including the one of the Baltimore, Philadelphia, and Washington milkshed which you questioned about yesterday.

But if the committee will be so kind, they were very kind to me yesterday, I would like to clear a few matters up as a foundation for this discussion, which I hope will be very helpful, and I would like to make a statement bringing us down a little more to date.

The CHAIRMAN. The committee will be glad to give you all the time you need, sir.

MR. DAVIS. I am not trying to duck your question at all, Mr. Congressman, but I would like a little more foundation for it because yesterday I reviewed briefly the legislative and operating history of the Commodity Credit Corporation and what I would like to do today in view of the line of questioning that developed toward the close yesterday is to make the present situation of the War Food Administration as clear as I can. I said yesterday that it is my duty as War Food Administrator to operate under rules that are laid down by the Congress and the President of the United States. You know yesterday I reviewed the various legislative acts that will be put in the record or provided to the committee, that constitute the history of the Commodity Credit Corporation.

Now, I want to read one paragraph from the Executive order issued by the President on October 3, 1942. That is a fact. I mean it is not a theory as far as I am concerned; it is a fact. It is very brief and I want to lay it before this committee.

Under the subtitle "Profits and Subsidies" this paragraph appears. This was the order, if you recall, that created the Office of Economic Stabilization and provided for the appointment of a Director of Economic Stabilization. This paragraph reads:

The Director may direct any Federal department or agency including but not limited to the Department of Agriculture (including the Commodity Credit Corporation and the Surplus Marketing Administration) the Department of Commerce, the Reconstruction Finance Corporation, and other corporations organized pursuant to section 5d of the Reconstruction Finance Corporation Act, as amended, to use its authority to subsidize and to purchase for resale if such measures are necessary to insure maximum necessary production and distribution of any commodity, or to maintain ceiling prices, or to prevent a price rise inconsistent with the purposes of this Order.

Now, I do not read that for the purpose, gentlemen, of debating the question. So far as the Food Administrator is concerned that is a fact. I mean that is one of the rules under which the War Food Administration operates.

I could refer to a more recent order, the "hold the line" order, as another fact so far as we are concerned. Those things together with the various legislative enactments necessarily guide our activities in the executive branch of government. Now, I do not know whether this committee is interested in my own personal views on this general question of inflation control or not.

The CHAIRMAN. We are interested, I assure you.

Mr. DAVIS. Particularly as they relate to food. I repeat I think this discussion is very healthy. These subjects ought to be discussed. They ought to be broadly understood because I think they tend toward the development of national policy on production and prices. That is understood.

Now, if I understood Mr. Ford and Mr. Wolcott correctly in their statements this morning, and, of course, when gentlemen give abbreviated statements probably some of the inferences from them are not completely justified. I would say my own position is somewhere between the two of them. I said yesterday and I want to repeat now I think it is extremely dangerous to outlaw under a legislative label such as "subsidies" or "incentive payments" or anything of the sort, some devices that may be tremendously important in the case of some particular commodities at some particular time if we are going to get the production which after all is the most important thing we face in this country as I see it, and that is to get the production of agricultural commodities.

On the other hand I believe that a general reliance on a program of broad subsidies as a chief implement to prevent inflation is a dangerous delusion, partly for the reason the Congressman pointed out, and that for inflationary control in this country we have to have a broad and coordinated program that involves a great deal more than direct price-control orders or subsidies.

Mr. FORD. Mr. Davis, at that point may I say I was confining my remarks to those articles we asked the Secretary of Agriculture to produce additionally.

Mr. DAVIS. Right; and I was not disagreeing with your position at all.

Mr. FORD. I want to get that clear.

Mr. DAVIS. It seems to me we have got to be very careful in any legislation Congress passes, if and when it extends the life of the Commodity Credit Corporation, not to tie our hands against the course of action that we have taken through the years in support of farm prices, almost every one of which involved such a substantial element of risk of loss that they might have been considered, and I think by any definition would have been considered, subsidy operations. We have been engaged in them for going on 10 years. Now, when I say that there has got to be a coordinated program, I am getting into a field that is this committee's field and perhaps you may think it is not my field as Food Administrator at all. But I think it is fundamental to the success of any long-continued price- or wage-control program. Let me throw a few figures at you. Most of you are familiar with them. The best estimates I am able to obtain indicate that the total of consumer income in the United States in 1943, that is the sum of payments to individuals, will aggregate about \$140,000,000,000. The forecast for individual taxes is about \$16,000,000,000, leaving disposable income in the hands of the consumers of about \$124,000,000,000. At the existing price level with the supply of goods that we have on hand about \$82,000,000,000 is about all we can expend for consumer goods without having a substantial rise in prices. And that leaves, and on any estimate of this sort you have got to be willing to take, a billion dollars or so here or there because after all, they are estimates, that leaves about \$42,000,000,000 which you might say is available for sav-

ings. And under savings I would include insurance payments, normal payments, and reduction of debts and what people are now investing in Government bonds.

Saying that that type of savings is \$25,000,000,000, that leaves \$17,000,000,000 knocking loose in the economy, much of it in the possession of people who want to spend it. Many of them never had so much money to spend before in their lives. That creates an inflationary condition. That makes direct price controls very difficult to handle. It seems to me the answer to that is the answer that should have been taken a long while ago, that is by stiffer taxation and withholding at the source and a much broader program of investment on the part of the people who have this money in Government securities than we have ever had in this country. That would lay a kind of foundation against which we could brace ourselves with price controls and operating programs.

Just to sum up, I want to say that I hope the committee and the Congress won't divide itself into two hostile camps; one saying "I am for incentive payments" and the other saying "I am against incentive payments." One saying "I am for subsidies" and the other saying "I am against subsidies." Let us get the philosophy established for a coordinated program on inflation, of which this is a part, and then give us a chance to use some reasonable common sense in their administration.

Thank you, that is what I wanted to tell you.

I want to ask the gentlemen of the committee, when Mr. Hutson comes before the committee to give him the same courtesy you have extended to me and let him make a statement in advance.

The CHAIRMAN. The committee will be happy to have him do that, and we are glad to have you do so. It is helpful and it helps to bring about an understanding of your views, and we are glad to have your statement this morning.

Now, in view of the program in the House, I think the committee would rather adjourn.

(Whereupon the committee adjourned to Thursday, May 20, 1943, at 10:30 a. m.)



## CONTINUANCE OF COMMODITY CREDIT CORPORATION

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THURSDAY, MAY 20, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall, chairman, presiding.

The CHAIRMAN. Let the committee be in order. We have before us for further consideration this morning H. R. 2725.

Before hearing Mr. Hutson I think for the orderliness of our procedure there is one thing that should be clear in connection with the statement of Mr. Davis and that is the matter of the authority of the Commodity Credit Corporation. I am not familiar with every phase of that inquiry and I am sure that is true of other members of the committee. I had asked Mr. Davis day before yesterday to supplement his statement at that point by giving us the technical situation with respect to the powers and authority of the Commodity Credit Corporation. That should come in connection with his statement, and it is one of the first things we really need to clear up in this discussion before we go into the details of the operations and various activities of the Corporation. I am wondering if we might not follow up Mr. Davis' statement, if you are prepared to do it, by supplying the committee with that information and let it be incorporated along with his statement and preliminary to your further discussion of this legislation.

Mr. SHIELDS. Mr. Chairman, I might say on that subject that we have collected together all of the Executive orders and statutes specifically relating to the Commodity Credit Corporation from the beginning up to the present time so that they can be made part of the record.

The CHAIRMAN. I have that compilation before me. What does it cover?

Mr. SHIELDS. It begins with the Executive order creating the Corporation.

The CHAIRMAN. That is when you began with the \$3,000,000 fund supplied by the President and the Corporation was established under that Executive order?

Mr. SHIELDS. That is correct, Mr. Chairman. And then there follows the certificate of incorporation and the bylaws and all the laws that relate specifically to the Commodity Credit Corporation from 1933 to the present date.

The CHAIRMAN. And the President's order is in this?

Mr. SHIELDS. Yes, sir. And I thought it probably would be better to discuss questions with respect to the authority of the Corporation after that was convenient and available to the committee in the printed record but I have submitted this compilation to be inserted in the record in accordance with your wishes.

The CHAIRMAN. I don't care to proceed at length with a discussion of those powers but I did think they should be incorporated in connection with the testimony of Mr. Davis.

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. Now, you have supplied a copy of the Executive order as well as the charter?

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. And the bylaws?

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. And the various acts of Congress?

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. In other words, everything relating to the Commodity Credit Corporation from the beginning down to the present time?

Mr. SHIELDS. That is correct, Mr. Chairman, and there is included the Steagall amendment and the laws authorizing the mandatory loans and the laws authorizing the annual audit and all the laws from 1933 to 1943.

The CHAIRMAN. And that embraces such legislation as has been passed under the jurisdiction of the Committee on Agriculture?

Mr. SHIELDS. Yes, sir; as well as this committee.

The CHAIRMAN. And it embraces all the legislation pertaining to the powers and authority of the Commodity Credit Corporation?

Mr. SHIELDS. That is correct.

The CHAIRMAN. Now, let me ask in that connection in order to follow that up to its finality, do these various acts and orders to which you have referred cover all the powers exercised by the Commodity Credit Corporation?

Mr. SHIELDS. In my opinion they do; yes, sir.

The CHAIRMAN. They do? And that includes the Executive order of the President?

Mr. SHIELDS. Yes. It includes the Executive order and charter and then the specific legislative acts. We have also included for convenience such reference as Mr. Davis made yesterday to Executive Order 9250 relating to the subsidy authorization of the President.

The CHAIRMAN. That is in this too?

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. And, of course, that leads up to the further inquiry respecting the powers upon which those orders are predicated.

Mr. SHIELDS. That is true.

The CHAIRMAN. I suggest that this information be incorporated in connection with the former testimony in its proper place. And then, as you suggest, after we have discussed the various activities inquiries can be made by members respecting that part of the testimony.

Mr. SHIELDS. The compilation of Executive orders, charters, bylaws, statutes, and so forth, is as follows:

## CHARTER, BYLAWS, AND COMPILATION OF EXECUTIVE ORDERS AND STATUTORY PROVISIONS RELATING SPECIFICALLY TO COMMODITY CREDIT CORPORATION

## EXECUTIVE ORDER No. 6340

## AUTHORIZING THE FORMATION OF A CORPORATION TO BE KNOWN AS THE COMMODITY CREDIT CORPORATION

WHEREAS the Congress of the United States has declared that an acute emergency exists by reason of widespread distress and unemployment, disorganization of industry, and the impairment of the agricultural assets supporting the national credit structure, all of which affects the national public interest and welfare; and

WHEREAS in order to meet the said emergency and to provide the relief necessary to protect the general welfare of the people, the Congress of the United States has enacted the following acts:

1. The Agricultural Adjustment Act, approved May 12, 1933.
2. The National Industrial Recovery Act, approved June 16, 1933.
3. The Federal Emergency Relief Act of 1933, approved May 12, 1933.
4. Reconstruction Finance Corporation Act, approved January 22, 1932.
5. The Federal Farm Loan Act, approved July 17, 1916.
6. The Farm Credit Act of 1933, approved June 16, 1933.
7. The Emergency Relief and Construction Act of 1932, approved July 21, 1932.

AND WHEREAS in order, effectively and efficiently, to carry out the provisions of said acts it is expedient and necessary that a corporation be organized with such powers and functions as may be necessary to accomplish the purposes of said acts.

Now, THEREFORE, under and by virtue of the authority vested in me by the National Industrial Recovery Act of June 16, 1933, it is hereby ordered that an agency, to wit, a corporation, under the laws of Delaware, be created, said corporation to be named the Commodity Credit Corporation.

The governing body of said corporation shall consist of a board of directors composed of eight members, and the following persons, who have been invited and have given their consent to serve, shall be elected by the incorporators as such directors:

Henry A. Wallace, Secretary of Agriculture.  
George N. Peek, Administrator, Agricultural Adjustment Administration.  
Oscar Johnston, Director of Finance, Agricultural Adjustment Administration.  
Henry Morgenthau, Jr., Governor, Farm Credit Administration.  
Herman Oliphant, General Counsel, Farm Credit Administration.  
Lynn P. Talley, Assistant to the Directors of the Reconstruction Finance Corporation.  
E. B. Schwulst, Special Assistant to the Directors of the Reconstruction Finance Corporation.  
Stanley Reed, General Counsel of the Directors of the Reconstruction Finance Corporation.

The office and principal place of business of said corporation outside the State of Delaware shall be in the city of Washington, and branch offices may be established in such places within the United States as the said board of directors shall select and determine by and with the consent of the Secretary of Agriculture and the Governor of the Farm Credit Administration.

The capital stock of such corporation shall consist of 30,000 shares of the par value of \$100 each.

The Secretary of Agriculture and the Governor of the Farm Credit Administration are hereby authorized and directed to cause said corporation to be formed, with such articles or certificate of incorporation, and bylaws, which they shall deem requisite and necessary to define the methods by which said corporation shall conduct its business.

The Secretary of Agriculture and the Governor of the Farm Credit Administration are authorized and directed to subscribe for all of said capital stock for the use and benefit of the United States. There is hereby set aside for the



purpose of subscribing to the capital stock in said corporation the sum of \$3,000,000 out of the appropriation of \$100,000,000 authorized by section 220 of the National Industrial Recovery Act and made by the Fourth Deficiency Act, fiscal year 1933, approved June 16, 1933 (Public No. 77, 73d Congress).

It is hereby further ordered that any outstanding stock standing in the name of the United States shall be voted by the Secretary of Agriculture and the Governor of the Farm Credit Administration jointly, or by such person or persons as the said Secretary of Agriculture and the Governor of the Farm Credit Administration shall appoint as their joint agent or agents for that purpose. The board of directors (other than the initial board of directors elected by the incorporators) shall be elected, and any vacancies thereon shall be filled by the Secretary of Agriculture and the Governor of the Farm Credit Administration jointly, subject to the approval of the President of the United States.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,  
October 16, 1933.

#### PURPOSES OF ACTS REFERRED TO IN EXECUTIVE ORDER 6340

Purposes of the Federal Emergency Relief Act, approved May 12, 1933 (48 Stat. 55): To establish more effective cooperation between the Federal Government and the several States and Territories and the District of Columbia in furnishing relief to the needy and distressed people within the District of Columbia and such States and Territories.

Purposes of the Reconstruction Finance Corporation Act, approved January 22, 1932 (47 Stat. 5): To aid in the financing of agriculture, commerce, and industry, including the facilitating of the exportation of agricultural and other products, and to make loans to aid in the temporary financing of railroads and railways engaged in interstate commerce, railroads and railways in process of construction, and to receivers of such railroads and railways.

Purposes of the Federal Farm Loan Act, approved July 17, 1916 (39 Stat. 360): To provide a system of credit for persons desiring to borrow money on farm mortgage security.

Purposes of the Farm Credit Act of 1933, approved June 16, 1933 (48 Stat. 257): To establish a system of credit for farmers under which they could obtain loans for general agricultural purposes, and for the purpose of making home alterations, repairs, and improvements.

Purposes of the Emergency Relief and Construction Act of 1932, approved July 21, 1932 (47 Stat. 709): To furnish relief and work relief to needy and distressed people and to relieve the hardship resulting from unemployment; to establish a system of credit for the purpose of providing housing for families of low income and for reconstruction of slum areas; to provide aid in carrying out the construction, replacement or improvement of bridges, tunnels, docks, viaducts, etc.; to assist in the financing of sales of surplus agricultural products in the markets of foreign countries, and to assist in financing the orderly marketing of agricultural commodities and of livestock produced in the United States.

National Industrial Recovery Act, approved June 16, 1933 (48 Stat. 195):

SECTION 1. A national emergency productive of widespread unemployment and disorganization of industry, which burdens interstate and foreign commerce, affects the public welfare, and undermines the standards of living of the American people, is hereby declared to exist. It is hereby declared to be the policy of Congress to remove obstructions to the free flow of interstate and foreign commerce which tend to diminish the amount thereof; and to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanctions and supervision, to eliminate unfair competitive practices, to promote the fullest possible utilization of the present productive capacity of industries, to avoid undue restriction of production (except as may be temporarily required), to increase the consumption of industrial and agricultural products by increasing purchasing power, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry and to conserve natural resources.

Agricultural Adjustment Act, approved May 12, 1933 (48 Stat. 31):

That the present acute economic emergency being in part the consequence of a severe and increasing disparity between the prices of agricultural and

other commodities, which disparity has largely destroyed the purchasing power of farmers for industrial products, has broken down the orderly exchange of commodities, and has seriously impaired the agricultural assets supporting the national credit structure, it is hereby declared that these conditions in the basic industry of agriculture have affected transactions in agricultural commodities with a national public interest, have burdened and obstructed the normal currents of commerce in such commodities, and render imperative the immediate enactment of title I of this Act.

SEC. 2. It is hereby declared to be the policy of Congress—

(1) To establish and maintain such balance between the production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities in the base period. The base period in the case of all agricultural commodities except tobacco shall be the pre-war period, August 1909–July 1914. In the case of tobacco, the base period shall be the post-war period, August 1919–July 1929.

(2) To approach such equality of purchasing power by gradual correction of the present inequalities therein at as rapid a rate as is deemed feasible in view of the current consumptive demand in domestic and foreign markets.

(3) To protect the consumers' interest by readjusting farm production at such level as will not increase the percentage of the consumers' retail expenditures for agricultural commodities, or products derived therefrom, which is returned to the farmer, above the percentage which was returned to the farmer in the pre-war period, August 1909–July 1914.

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CERTIFICATE OF INCORPORATION OF COMMODITY CREDIT CORPORATION AS AMENDED  
APRIL 28, 1936

FIRST. The name of this Corporation is Commodity Credit Corporation.

SECOND. The principal office of this Corporation in the State of Delaware is to be located at No. 100 West Tenth Street in the City of Wilmington, County of New Castle, and until otherwise designated by the Board of Directors its resident agent shall be The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

THIRD. The objects and purposes for which and for any of which this Corporation is formed are, to do any or all of the things herein set forth to the same extent as natural persons might or could do, viz:

(a) To do any and all things which may be necessary to accomplish the purposes of the following Acts of Congress of the United States of America, and any amendment or amendments heretofore or hereafter made thereto:

1. The Agricultural Adjustment Act, approved May 12, 1933.
2. The National Industrial Recovery Act, approved June 16, 1933.
3. The Federal Emergency Relief Act of 1933, approved May 12, 1933.
4. Reconstruction Finance Corporation Act, approved January 22, 1932.
5. The Federal Farm Loan Act, approved July 17, 1916.
6. The Farm Credit Act of 1933, approved June 16, 1933.
7. The Emergency Relief and Construction Act of 1932, approved July 21, 1932.

(b) To purchase, or otherwise acquire, to hold, or otherwise to deal in, to sell or otherwise dispose of any and all agricultural and/or other commodities, and/or products thereof and to loan and/or borrow money upon the same.

(c) To enter into and to encourage farmers, producers and others to enter into marketing plans and agreements and to cooperate in any plan which provides for reduction in the acreage or reduction in the production for market of agricultural commodities.

(d) To engage in any activity in connection with or involving the production, carrying, shipping, storing, exporting, warehousing, handling, preparing, manufacturing, processing and marketing of agricultural and/or other commodities and/or products thereof.

To borrow money and to draw, make, accept, endorse, warrant, guarantee, transfer, assign, execute, and issue bonds, debentures, mortgages, promissory notes, bills of exchange, warrants and all kinds of obligations and non-negotiable,

negotiable or transferable instruments without limit as to amount, and for the security of any of its obligations to convey, transfer, assign, deliver, mortgage, and/or pledge all or any part of its property or assets upon such terms and conditions as the Board of Directors shall authorize.

(e) Without limiting the generality of the foregoing, to borrow money for the purpose of (1) purchasing, storing, handling, and/or processing agricultural and/or other commodities and/or products thereof or any surplus of the same and (2) disposing of or removing the same through orderly marketing in the United States and/or elsewhere.

(f) To loan money, to buy, discount, sell, rediscount, or otherwise deal in notes, warehouse receipts, pledges, bills of lading, freight receipts, trust receipts, open accounts, mortgages and other similar evidences of debt, or to loan money and to take notes, warehouse receipts, pledges, bills of lading, freight receipts, trust receipts, open accounts, mortgages and other evidences of debt as collateral security therefor.

(g) To take and hold for any of its purposes, by bequest, device, gift, purchase, lease or otherwise, either absolutely or in trust, any property, real or personal, in the District of Columbia, any of the States, territories, or Colonies of the United States and in foreign countries, without limitation as to amount or value; to own, operate, manage, lease, mortgage, pledge, sell, assign and transfer or otherwise dispose of and exercise all privileges of ownership over such property and to invest and reinvest any principal, and deal with and expend its income and principal within or without the State of Delaware in such manner as in the judgment of its directors will best promote its objects and purposes.

(h) To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by any other corporation or corporations organized under the laws of this state or any other state, country, nation or government, and while the owner thereof to exercise all the rights, powers, and privileges of ownership, including the right to vote thereon.

(i) To enter into, make, perform and carry out contracts of every kind and description for any lawful purpose without limit as to amount, with any person, firm, association, corporation, municipality, county, state, body politic, territory or government or colony or dependency thereof.

(j) To sell, deal in, store, handle, process, transport, deliver and/or accept delivery of agricultural and/or other commodities and/or products thereof and/or to make contracts for the purchase or sale of the same, by itself or through subsidiaries or other agencies or to act as agent, broker, shipper, consignee, consignor, trustee or factor with respect thereto and as such agent, broker, shipper, consignee, consignor, trustee, or factor, to buy, sell, deal in, hypothecate, pledge, mortgage, store, handle, process, transport, manufacture, deliver or accept delivery of the aforesaid commodities and/or products thereof and/or to make contracts for the purchase or sale of the same on behalf of the owner thereof and to fix and collect and deduct all charges for such services.

(k) To acquire by purchase, lease or construction, or in any other manner, storage and other physical facilities for the handling, carrying, processing, manufacturing, storing, preparing for market and marketing agricultural and/or other commodities, and/or products thereof.

(l) To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount, in any of the States, Districts, Territories or Colonies of the United States, and in any and all foreign countries.

(m) In general, to have and to exercise all the powers and privileges conferred by the General Corporation Laws of Delaware upon corporations, and to do all and everything necessary, suitable and proper for the accomplishment of any of the purposes or for the attainment of any of the objects or for the furtherance of any of the powers herein set forth, either alone or in association with other corporations, firms, agencies or individuals, and to do every other act or thing lawfully incident or appurtenant to or growing out of or connected with any of the aforesaid objects, purposes and/or powers.

The objects and purposes specified in the foregoing clauses shall, except as otherwise expressed, be in no wise limited or restricted by reference to or inference from the terms of any other clause in this Certificate of Incorporation, but the objects and purposes specified in each of the foregoing clauses shall be regarded as independent objects and purposes.

The foregoing clauses shall be construed both as purposes and powers but no recitation, expression or declaration of specific or specified powers or purposes



herein enumerated shall be deemed to be exclusive, and it is hereby expressly declared that this Corporation shall have and exercise all powers conferred on it by law.

FOURTH. The total number of shares which this Corporation shall have authority to issue is One Hundred (100), without par value, of which Three (3) shares shall be designated as First Series Shares and shall be issued in lieu of the Thirty Thousand (30,000) shares heretofore issued and outstanding on April 28, 1936, and Ninety-seven (97) shares designated as Second Series Shares. Each share, of whatever series, shall be equal in all respects with every other share, whether of the same or a different series, except that in the event of liquidation or dissolution of the Corporation, whether voluntary or otherwise, the holders of Second Series Shares shall be entitled to receive the full amount paid to the Corporation for such Second Series Shares before any distribution is made to the holders of First Series Shares, who, thereafter, shall receive the full amount paid for the stock in lieu of which such First Series Shares are issued. Any assets remaining after all holders of the First Series Shares and Second Series Shares have received the sum hereinbefore provided shall be distributed to the holders of shares of each series, share and share alike.

FIFTH. The minimum amount of capital with which the Corporation will commence business is One Thousand Dollars (\$1,000).

SIXTH. The names and places of residence of each of the original incorporators are as follows:

Name	Residence
Henry A. Wallace,	Washington, D. C.
Henry Morgenthau, Jr.,	Washington, D. C.
Oscar Johnston,	Washington, D. C.

SEVENTH. This Corporation is to have perpetual existence.

EIGHTH. The private property of the stockholders shall not be subject to the payment of corporate duties to any extent whatever.

NINTH. The business of this Corporation shall be managed by its board of directors except as in this certificate of incorporation or in the bylaws otherwise provided. The number of directors of the Corporation shall be as specified in the bylaws and such number may from time to time be increased or decreased in such manner as may be prescribed in the bylaws, provided the number of directors of the Corporation shall not be less than three. Directors need not be officers or stockholders of this Corporation. The election of directors need not be by ballot unless the bylaws so provide. In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

To make and alter the bylaws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose or to abolish any such reserve in the manner in which it was created.

By resolution or resolutions, passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in said resolution or resolutions or in the bylaws of the Corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the Corporation, and may have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the bylaws of the Corporation or as may be determined from time to time by resolution adopted by the board of directors.

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders' meeting duly called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, the board of directors shall have power and authority to sell, lease or exchange all of the property and assets of the Corporation, including its goodwill and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its board of directors shall deem expedient and for the best interest of the Corporation.



The Corporation may in its bylaws confer powers upon its board of directors in addition to the foregoing, and in addition to the powers and authorities expressly conferred upon it by statute.

TENTH. Stockholders shall not have the preemptive right to subscribe to any new or additional issue of stock of this Corporation or any part thereof.

ELEVENTH. Both stockholders and directors shall have power, if the bylaws so provide, to hold their meetings, and to have one or more offices within or without the State of Delaware, and to keep the books of this Corporation (subject to the provisions of the statutes) outside of the State of Delaware at such places as may be from time to time designated by the Board of Directors.

TWELFTH. The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

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BYLAWS OF COMMODITY CREDIT CORPORATION (INCLUDING AMENDMENTS ADOPTED  
AUGUST 15, 1939)

OFFICES

1. The principal office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, and the name of the resident agent in charge thereof is The Corporation Trust Company.

2. The Corporation may also have an office in the City of Washington, District of Columbia, and also offices at such other places as the Stockholders may from time to time appoint.

SEAL

3. The Corporate Seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words, "Corporate Seal, Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

STOCKHOLDERS' MEETINGS

4. All meetings of the Stockholders for the election of Directors and Officers shall be held in the City of Washington, District of Columbia. Special meetings of Stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

5. An annual meeting of Stockholders, after the year 1933, shall be held on the 10th day of May in each year, if not a legal holiday, and if a legal holiday then on the next secular day following, at 10 o'clock A. M. At such annual meeting the Stockholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

6. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the Stockholders for the transaction of business except as otherwise provided by statute, by the certificate of incorporation or by these bylaws.

If, however, such quorum shall not be present or represented at any meeting of the Stockholders, the Stockholders entitled to vote thereat, present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

7. At any meeting of the Stockholders every Stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such Stockholder. Proxies shall be delivered to the Secretary of the Corporation before such meeting. Each Stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the Corporation.

8. Written notice of the annual meeting shall be mailed to each Stockholder entitled to vote thereat at such address as appears on the stock ledger of the Corporation, at least ten days prior to the meeting. Failure to give notice of any annual meeting or any irregularity of such notice or manner of giving the

same shall not affect the validity of the meeting or of any proceeding in such meeting.

9. Special meetings of the Stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of Stockholders owning one-half in amount of the entire capital stock of the Corporation issued and outstanding, and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

10. Business transacted at all special meetings shall be confined to the objects stated in the call.

11. Written notice of a special meeting of Stockholders, stating the time and place and object thereof, shall be mailed, postage prepaid, or delivered in person, at least two days before such meeting, to each Stockholder entitled to vote thereat at such address as appears on the books of the Corporation.

#### DIRECTORS

12. (a) The number of Directors which shall constitute the Board shall be not less than three nor more than seven. Directors need not be Stockholders. They shall be elected at the annual meeting of the Stockholders, and each Director shall be elected to serve until the next annual meeting or until his successor shall be elected and shall qualify.

Any Director may resign his office at any time by mailing or delivering his resignation in writing to the Corporation and the acceptance of such resignation, unless required by the terms thereof, shall not be necessary to make it effective.

The Secretary of Agriculture is authorized to designate a Director to serve as Chairman of the Board of Directors.

(b) In addition to the Board of Directors provided for in subsection (a) of this paragraph, one Advisory Director may, with the approval of the Secretary of Agriculture, be designated by each of the following: The Secretary of the Treasury, the Federal Loan Administrator, and the Governor of the Farm Credit Administration. The Advisory Directors designated pursuant to the provisions of this subsection may participate in all meetings of the Board of Directors but shall not be entitled to vote upon any matter decided by the Board of Directors.

13. The Directors may hold their meetings and keep the books of the Corporation, except as otherwise provided by the laws of Delaware, outside of Delaware, at the office of the Corporation in the City of Washington, District of Columbia, or at such other places as they may from time to time determine.

14. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the Stockholders shall choose a successor or successors, who shall hold office for the unexpired term in respect of which such vacancy occurred or until the next election of Directors. Any Director may be removed with or without cause at any time by the affirmative vote of a majority of the Stockholders.

#### MANAGEMENT

15. The property and business of the Corporation shall be managed by the Secretary of Agriculture, who may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or the certificate of incorporation directed or required to be exercised or done by the Stockholders or the Board of Directors. The Secretary of Agriculture shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it.

#### COMMITTEES OF DIRECTORS

16. The Board of Directors may, by resolution or resolutions, designate one or more committees, each to consist of two or more of the Directors of the Corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation and may have power to authorize the Seal of the Corporation to be affixed to all papers which may require it. If any member or members of any such committee shall, at any time, be unable to attend a meeting of the committee any other member or members of the Board of Directors may serve at such meeting as a member or members of the committee

upon the request of the remaining member or members. A quorum shall consist of a majority of the whole committee. In the absence of all members of a committee the remaining members of the Board who are present shall constitute the committee, and in that event a quorum shall consist of a majority of the whole committee.

All committees appointed by the Board of Directors shall keep minutes of their proceedings and shall report all transactions at each regular or special meeting of the Board.

#### COMPENSATION OF DIRECTORS

17. Directors, as such, shall not receive any salary for their services; provided, that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor; provided further, that Directors who receive no other compensation from the Federal Government or any Federal agency or instrumentality may receive actual expenses incurred in attending any regular or special meeting of the Board.

#### MEETINGS OF THE BOARD

18. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the Stockholders at the annual meeting, and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting; provided, a majority of the whole Board shall be present; or they may meet at such place and time as shall be fixed by the consent in writing of a majority of the Directors.

19. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

20. Special meetings of the Board may be called by the President on two days' notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of the Secretary of Agriculture or a majority of the Directors.

Unless otherwise indicated in the notice thereof any and all business may be transacted at a special meeting.

At any meeting at which every director shall be present, even though without notice, any business may be transacted. No notice of any adjourned meeting need be given.

21. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the act of a majority present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation or by these bylaws.

#### OFFICERS

22. The President, Secretary, and Treasurer of the Corporation shall be chosen at each annual meeting by the stockholders. The Secretary and Treasurer may be the same person. Officers other than the President need not be members of the Board of Directors.

23. The Secretary of Agriculture may appoint such Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers and such agents and employees of the Corporation as he shall deem necessary or desirable, and such officers, agents, and employees shall exercise such powers and perform such duties as shall be prescribed from time to time by the Secretary of Agriculture. The Secretary or the Treasurer of the Corporation may be appointed by the Secretary of Agriculture to serve as a Vice President of the Corporation.

24. The salaries of all officers, agents, and employees of the Corporation shall be fixed by the Secretary of Agriculture.

25. (a) The officers of the Corporation shall hold office until their successors are chosen and qualified.

(b) Any officer elected by the Stockholders may be removed with or without cause at any time by the affirmative vote of a majority of the Stockholders. If the office of any officer elected by the Stockholders becomes vacant for any reason, the vacancy shall be filled by the Stockholders.

(c) Any officer appointed by the Secretary of Agriculture may be removed with or without cause at any time by the Secretary of Agriculture. If the



office of any officer appointed by the Secretary of Agriculture becomes vacant for any reason, the vacancy shall be filled by the Secretary of Agriculture.

#### THE PRESIDENT

26. The President shall perform such duties as may be prescribed by the Secretary of Agriculture. He shall be ex officio a member of all standing committees.

27. A Vice President, designated by the Secretary of Agriculture for the purpose, may, in the absence or disability of the President, perform the duties and exercise the powers of the President.

#### THE SECRETARY

28. The Secretary shall attend all sessions of the Board and all meetings of the Stockholders and record all votes and the minutes of all proceedings in a book to be kept for that purpose; and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the Stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Secretary of Agriculture. He shall keep in safe custody the seal of the Corporation, and when authorized by the Board or the Secretary of Agriculture, affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.

29. An Assistant Secretary, designated by the Secretary of Agriculture for the purpose, may, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary.

#### THE TREASURER

30. (a) The Treasurer shall perform such duties as may be prescribed by the Secretary of Agriculture.

(b) An Assistant Treasurer, designated by the Secretary of Agriculture for the purpose, may, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

31. If required by the Board of Directors or the Secretary of Agriculture, the Treasurer shall give the Corporation a bond in such sum, and with such surety or sureties as shall be satisfactory to the Board or the Secretary of Agriculture, for the faithful performance of the duties of his office, and for the restoration to the Corporation, in case of his death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in his possession or under his control belonging to the Corporation.

#### CERTIFICATE OF STOCK

32. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary.

#### CHECKS

33. All checks or drafts against the funds of the Corporation and all notes or other obligations for the payment of money or other thing of value shall be signed by such officer or officers or such person or persons as the Secretary of Agriculture may designate.

34. The Corporation will make loans or purchase paper only when secured by such commodity as may be from time to time approved by the President of the United States.

#### FISCAL YEAR

35. The fiscal year shall begin on the first day of July in each year.

#### DIVIDENDS

36. Dividends upon the capital stock of the Corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law, with the approval

of the Secretary of Agriculture. Dividends may be paid in cash, in property, or in shares of the capital stock.

37. Before payment of any dividend there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the Directors shall think conducive to the interest of the Corporation, and the Directors may abolish any such reserve in the manner in which it was created.

#### DIRECTORS' ANNUAL STATEMENT

38. The Board of Directors shall present at each annual meeting, and, when requested by the Stockholders, at any special meeting of the Stockholders, a full and clear statement of the business and condition of the Corporation.

#### NOTICES

39. Whenever, under the provisions of these bylaws, notice is required to be given to any Stockholder, Director, or officer of the Corporation, it shall not be construed to mean personal notice, but such notice shall be given in writing, by depositing the same, addressed to such Stockholder, Director, or officer, in the intradepartmental mail channels of the Department of Agriculture or by depositing the same in the post office or letter box in a post-paid, sealed wrapper, addressed to such Stockholder, Director, or officer, at such address as appears on the books of the Corporation, or, in default of other address, to such Stockholder, Director, or officer at the general post office in the city of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus dispatched.

40. Any notice required to be given under these bylaws may be waived in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein.

#### AMENDMENTS

41. These bylaws may be altered or amended or repealed by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, at any regular meeting of the Stockholders or at any special meeting of the Stockholders if notice of the proposed alteration or amendment or repeal be contained in the notice of such special meeting, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration, amendment or repeal be contained in the notice of such special meeting; provided, however, that no change of the time or place for the election of Directors shall be made within sixty days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each Stockholder in person or by letter mailed to his last known post-office address at least twenty days before the election is held.

#### [PUBLIC—No. 1—74TH CONGRESS] <sup>1</sup>

AN ACT To extend the functions of the Reconstruction Finance Corporation for two years, and for other purposes

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SEC. 7. Notwithstanding any other provision of law, Commodity Credit Corporation, a corporation organized under the laws of the State of Delaware as an agency of the United States pursuant to the Executive Order of the President of October 16, 1933, shall continue, until April 1, 1937, or such earlier date as may be fixed by the President by Executive Order, to be an agency of the United States. During the continuance of such agency, the Secretary of Agriculture and the Governor of the Farm Credit Administration are authorized and directed to continue, for the use and benefit of the United States, the present investment in the capital stock of Commodity Credit Corporation, and the corporation is hereby authorized to use all its assets, including capital and net earnings therefrom, and all moneys which have been or may hereafter be allocated to or

<sup>1</sup> 49 Stat. 1, 4.

borrowed by it, in the exercise of its functions as such agency, including the making of loans on agricultural commodities.

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Act approved January 31, 1935.

#### EXECUTIVE ORDER NO. 7174

AMENDMENT OF EXECUTIVE ORDER NO. 7126 OF AUGUST 5, 1935

Executive Order No. 7126 of August 5, 1935, entitled "Submission of Estimates to the Bureau of the Budget of Expenditures for Administrative Expenses in Certain Cases," as amended by Executive Order No. 7150 of August 19, 1935, is hereby further amended so as to make its provisions applicable in all respects to the following-named additional agencies and instrumentalities of the United States, except that the provisions of the last sentence of Paragraph 1 of the said order shall be applicable to the additional agencies and instrumentalities named herein from and after October 15, 1935, instead of September 15, 1935:

1. Agricultural Adjustment Administration.
2. Commodity Credit Corporation.
3. Federal Coordinator of Transportation.
4. Federal Emergency Administration of Public Works.
5. Federal Emergency Relief Administration.
6. National Recovery Administration.
7. Tennessee Valley Authority.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, Sept. 4, 1935.

[PUBLIC—No. 489—74TH CONGRESS]<sup>2</sup>

AN ACT To enable the Commodity Credit Corporation to better serve the farmers in orderly marketing, and to provide credit and facilities for carrying surpluses from season to season

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the Secretary of Agriculture and the Governor of the Farm Credit Administration are hereby authorized and directed to take all necessary steps to increase the capital stock of the Commodity Credit Corporation by \$97,000,000; and that the Reconstruction Finance Corporation is hereby authorized and directed to acquire \$97,000,000 of the nonassessable capital stock of the Commodity Credit Corporation: *Provided*, That nothing herein shall be construed to increase the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered under existing law to issue and to have outstanding at any one time.

Act approved April 10, 1936.

[PUBLIC—No. 739—74TH CONGRESS]<sup>3</sup>

AN ACT Making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1936, and prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1936, and June 30, 1937, and for other purposes

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#### EXECUTIVE INDEPENDENT OFFICES

SEC. 7. (a) Notwithstanding any other provision of law, none of the establishments or agencies named in subsection (b) of this section shall, after June 30, 1937, incur any obligations for administrative expenses, except pursuant to an annual appropriation specifically therefor, nor shall any such establishment or agency continue to function after said date unless established by or pursuant to law: *Provided*, That nothing contained herein shall be construed to extend the period during which any such establishment or agency heretofore has been authorized by law to function.

(b) \* \* \*

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<sup>2</sup> 49 Stat. 1191.

<sup>3</sup> 49 Stat. 1597, at 1647.



## 10. Commodity Credit Corporation;

\* \* \* \* \*

SEC. 9. This Act may be cited as the First Deficiency Appropriation Act, fiscal year 1936.

Act approved June 22, 1936.

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[PUBLIC—No. 2—75TH CONGRESS] <sup>4</sup>

AN ACT To continue the functions of the Reconstruction Finance Corporation, and for other purposes

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SEC. 2 (a). Section 7 of the Act approved January 31, 1935 (Public, Numbered 1, Seventy-fourth Congress), is hereby amended by striking from the first sentence thereof "April 1, 1937" and inserting in lieu thereof "the close of business on June 30, 1939"; section 1 of the Act approved March 31, 1936 (Public, Numbered 484, Seventy-fourth Congress), is hereby amended by striking from the first sentence thereof "February 1, 1937" and inserting in lieu thereof "the close of business on June 30, 1939"; section 9 of the Act approved January 31, 1935 (Public, Numbered 1, Seventy-fourth Congress), is hereby amended by striking from the first sentence thereof "June 16, 1937" and inserting in lieu thereof "the close of business on June 30, 1939".

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Act approved January 26, 1937.

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[PUBLIC—No. 171—75TH CONGRESS] <sup>5</sup>

AN ACT Making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1938, and for other purposes

\* \* \* \* \*

## COMMODITY CREDIT CORPORATION

Not to exceed \$525,000 of the funds of the Commodity Credit Corporation, established as an agency of the Government by Executive Order Numbered 6340, dated October 16, 1933, continued to April 1, 1937, as a governmental agency under section 7 of the Act approved January 31, 1935 (Public, Numbered 1, Seventy-fourth Congress), and further continued to June 30, 1939, by the Act of January 26, 1937 (Public, Numbered 2, Seventy-fifth Congress), shall be available during the fiscal year 1938 for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (U. S. C., title 5, secs. 821-833); printing and binding; law books and books of reference; not to exceed \$150 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof.

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SEC. 4. This Act may be cited as the "Independent Offices Appropriation Act, 1938".

Act approved June 28, 1937.

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<sup>4</sup> 50 Stat. 5.

<sup>5</sup> 50 Stat. 329, 347.

[PUBLIC—No. 430—75TH CONGRESS]<sup>6</sup>

## AGRICULTURAL ADJUSTMENT ACT OF 1938

LOANS ON AGRICULTURAL COMMODITIES<sup>7</sup>

SEC. 302. (a) The Commodity Credit Corporation is authorized, upon recommendation of the Secretary and with the approval of the President, to make available loans on agricultural commodities (including dairy products). Except as otherwise provided in this section, the amount, terms, and conditions of such loans shall be fixed by the Secretary, subject to the approval of the Corporation and the President.

(b) The Corporation is directed to make available to cooperators loans upon wheat during any marketing year beginning in a calendar year in which the farm price of wheat on June 15 [or at any time thereafter during such marketing year] is below 52 per centum of the parity price [at any such time] or the July crop estimate for wheat is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of wheat at the beginning of the marketing year. In case marketing quotas for wheat are in effect in any marketing year, the Corporation is directed to make available, during such marketing year, to noncooperators, loans upon wheat at 60 per centum of the rate applicable to cooperators. A loan on wheat to a noncooperator shall be made only on so much of his wheat as would be subject to penalty if marketed.

(c) The Corporation is directed to make available to cooperators loans upon cotton during any marketing year beginning in a calendar year in which the average price on August 1 [or at any time thereafter during such marketing year] of seven-eighths Middling spot cotton on the ten markets designated by the Secretary is below 52 per centum of the parity price of cotton [at any such time] or the August crop estimate for cotton is in excess of a normal year's domestic consumption and exports, at rates not less than 52 per centum and not more than 75 per centum of the parity price of cotton as of the beginning of the marketing year. In case marketing quotas for cotton are in effect in any marketing year, the Corporation is directed to make available, during such marketing year, to noncooperators, loans upon cotton at 60 per centum of the rate applicable to cooperators. A loan on cotton to a noncooperator shall be made only on so much of his cotton as would be subject to penalty if marketed.

(d) The Corporation is directed to make available loans upon corn during any marketing year beginning in the calendar year in which the November crop estimate for corn is in excess of a normal year's domestic consumption and exports, or in any marketing year when on November 15 [or at any time thereafter during such marketing year] the farm price of corn is below 75 per centum of the parity price, at the following rates:

75 per centum of such parity price if such estimate does not exceed a normal year's consumption and exports and the farm price of corn is below 75 per centum of the parity price on November 15; [or at any time thereafter during such marketing year];

70 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by not more than 10 per centum;

65 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 10 per centum and not more than 15 per centum;

60 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 15 per centum and not more than 20 per centum;

55 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 20 per centum and not more than 25 per centum;

52 per centum of such parity price if such estimate exceeds a normal year's domestic consumption and exports by more than 25 per centum.

<sup>6</sup> 52 Stat. 31, 43.

<sup>7</sup> Amendments indicated by portions included in brackets made by Title V of the Work Relief and Public Works Appropriation Act of 1938, approved June 21, 1938 (Public Resolution No. 122, 75th Congress).

Loans shall be made to cooperators in the commercial corn-producing area at the applicable rate of the above schedule. Loans shall be made to noncooperators within such commercial corn-producing area but only during a marketing year in which farm marketing quotas are in effect and only on corn stored under seal pursuant to section 324, and the rate of such loans shall be 60 per centum of the applicable rate under the above schedule. Loans shall be made to cooperators outside such commercial corn-producing area, and the rate of such loans shall be 75 per centum of the applicable rate under the above schedule.

(e) The rates of loans under subsection (b), (c), and (d) on wheat, cotton, and corn not of standard grade, type, staple, or quality shall be increased or decreased in relation to the rates above provided by such amounts as the Secretary prescribes as properly reflecting differences from standard in grade, type, staple, and quality.

(f) For the purposes of subsections (b), (c), and (d) a cooperator shall be a producer on whose farm the acreage planted to the commodity for the crop with respect to which the loan is made does not exceed the farm acreage allotment for the commodity under this title, or, in the case of loans upon corn to a producer outside the commercial corn-producing area, a producer on whose farm the acreage planted to soil-depleting crops does not exceed the farm acreage allotment for soil-depleting crops for the year in which the loan is made under the Soil Conservation and Domestic Allotment Act, as amended. For the purposes of this subsection a producer shall not be deemed to have exceeded his farm acreage allotment unless such producer knowingly exceeded his farm acreage allotment.

(g) Notwithstanding any other provision of this section, if the farmers producing cotton, wheat, corn, or rice indicate by vote in a referendum carried out pursuant to the provisions of this title that marketing quotas with respect to such commodity are opposed by more than one-third of the farmers voting in such referendum, no loan shall be made pursuant to this section with respect to the commodity during the period from the date on which the results of the referendum are proclaimed by the secretary until the beginning of the second succeeding marketing year for such commodity. This subsection shall not limit the availability or renewal of any loan previously made.

(h) No producer shall be personally liable for any deficiency arising from the sale of the collateral securing any loan under this section unless such loan was obtained through fraudulent representations by the producer.

(i) In carrying out this section the Corporation is directed, with the consent of the Secretary, to utilize the services, facilities, and personnel of the Department.

\* \* \* \* \*

SEC. 381 (b). Any producer for whom a loan has been made or arranged for by the Commodity Credit Corporation on cotton of his 1937 crop and who has complied with all the provisions of the loan agreement except section 8 thereof, may, at any time before July 1, 1938, transfer his right, title, and interest in and to such cotton to the Corporation; and the Corporation is authorized and directed to accept such right, title, and interest in and to such cotton and to assume all obligations of the producer with respect to the loan on such cotton, including accrued interest and accrued carrying charges to the date of such transfer. The Corporation shall notify the Secretary of Agriculture of each such transfer, and upon receipt of such notice, the Secretary shall as soon as compliance is shown, or a national marketing quota for cotton is put into effect, forthwith pay to such producer a sum equal to 2 cents per pound of such cotton, and the amount so paid shall be deducted from any price adjustment payment to which such producer is entitled.

SEC. 381 (c). The Commodity Credit Corporation is authorized on behalf of the United States to sell any cotton of the 1937 crop so acquired by it, but no such cotton or any other cotton held on behalf of the United States shall be sold unless the proceeds of such sale are at least sufficient to reimburse the United States for all amounts (including any price-adjustment payment) paid out by any of its agencies with respect to the cotton so sold. After July 31, 1939, the Commodity Credit Corporation shall not sell more than three hundred thousand bales of cotton in any calendar month, or more than one million five hundred thousand bales in any calendar year. The proceeds derived from the sale of any such cotton shall be used for the purpose of discharging the obligations assumed by the Commodity Credit Corporation with respect to such cotton, and any amounts



not expended for such purpose shall be covered into the Treasury as miscellaneous receipts.

#### EXTENSION OF 1937 COTTON LOAN

SEC. 382. The Commodity Credit Corporation is hereby authorized and directed to provide for the extension, from July 31, 1938, to July 31, 1939, of the maturity date of all notes evidencing a loan made or arranged for by the Corporation on cotton produced during the crop year 1937-1938. This section shall not be construed to prevent the sale of any such cotton on request of the person liable on the note.

#### INSURANCE OF COTTON AND RECONCENTRATION OF COTTON

SEC. 383 (a). The Commodity Credit Corporation shall place all insurance of every nature taken out by it on cotton, and all renewals, extensions, or continuations of existing insurance, with insurance agents who are bona fide residents of and doing business in the State where the cotton is warehoused; *Provided*, That such insurance may be secured at a cost not greater than similar insurance offered on said cotton elsewhere.

(b) Cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not hereafter be reconcentrated without the written consent of the producer or borrower.<sup>8</sup>

\* \* \* \* \*

Act approved February 16, 1938.

[PUBLIC—No. 442—75TH CONGRESS]<sup>9</sup>

AN ACT To maintain unimpaired the capital of the Commodity Credit Corporation at \$100,000,000, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That as of the 31st of March in each year and as soon as possible thereafter, beginning with March 31, 1938, an appraisal of all the assets and liabilities of the Commodity Credit Corporation for the purpose of determining the net worth of the Commodity Credit Corporation shall be made by the Secretary of the Treasury. The value of assets shall, insofar as possible, be determined on the basis of market prices at the time of appraisal and a report of any such appraisal shall be submitted to the President as soon as possible after it has been made. In the event that any such appraisal shall establish that the net worth of the Commodity Credit Corporation is less than \$100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such capital impairment by a contribution to the Commodity Credit Corporation in the amount of such impairment. To enable the Secretary of the Treasury to make such payment to the Commodity Credit Corporation, there is hereby authorized to be appropriated annually, commencing with the fiscal year 1938, out of any money in the Treasury not otherwise appropriated, an amount equal to any capital impairment found to exist by virtue of any appraisal as provided herein.

Sec. 2. In the event that any appraisal pursuant to section 1 of this Act shall establish that the net worth of the Commodity Credit Corporation is in excess of \$100,000,000, such excess shall, as soon as practicable after such appraisal, be deposited in the Treasury by the Commodity Credit Corporation and shall be credited to miscellaneous receipts. The Secretary of the Treasury is directed, as soon as practicable, to use any amounts so deposited to retire an equivalent amount of the public debt, which amount shall be in addition to any other amount required to be used for such purpose.

Sec. 3. The Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation are hereby authorized and directed to transfer to the United States all right, title, and interest in and to the capital stock of the Commodity Credit Corporation which each of them now holds. All rights of the United States arising out of the ownership of such capital stock shall be exercised by the President, or by such officer, officers, agency, or agencies as he shall designate, and in such manner as he shall prescribe.

<sup>8</sup> See amendment, Public 660, 75th Congress.

<sup>9</sup> 52 Stat. 107.

SEC. 4. With the approval of the Secretary of the Treasury, the Commodity Credit Corporation is authorized to issue and have outstanding at any one time, bonds, notes, debentures, and other similar obligations in an aggregate amount not exceeding \$500,000,000. Such obligations shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, and shall be issued in such manner and sold at such prices as may be prescribed by the Commodity Credit Corporation, with the approval of the Secretary of the Treasury. Such obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof, and such obligations shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof. In the event that the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, such obligations, the Secretary of the Treasury shall pay to the holder the amount thereof which is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the Commodity Credit Corporation issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds from the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of the Commodity Credit Corporation's obligations hereunder. The Secretary of the Treasury may at any time sell any of the obligations of the Commodity Credit Corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the Commodity Credit Corporation shall be treated as public-debt transactions of the United States. No such obligations shall be issued in excess of the assets of the Commodity Credit Corporation, including the assets to be obtained from the proceeds of such obligations, but a failure to comply with this provision shall not invalidate the obligations or the guaranty of the same. The Commodity Credit Corporation shall have power to purchase such obligations in the open market at any time and at any price.

SEC. 5. Bonds, notes, debentures, and other similar obligations issued by the Commodity Credit Corporation under the provisions of this Act shall be deemed and held to be instrumentalities of the Government of the United States, and as such they and the income derived therefrom shall be exempt from Federal, State, municipal, and local taxation (except surtaxes, estate, inheritance, and gift taxes). The Commodity Credit Corporation, including its franchise, its capital, reserves, and surplus, and its income shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the Commodity Credit Corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

Approved, March 8, 1938.

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PRESIDENT OF THE UNITED STATES.

#### EXECUTIVE ORDER

Designating the Secretary of the Treasury as the Official to receive certain capital stock from the Reconstruction Finance Corporation, the Secretary of Agriculture, and the Governor of the Farm Credit Administration.

By virtue of and pursuant to the authority vested in me by the Act of February 24, 1938, Public. No. 432, Seventy-fifth Congress, and the act of March 8, 1938, Public. No. 442, Seventy-fifth Congress, I hereby designated the Secretary of the Treasury on behalf of the United States to receive from the Reconstruction Finance Corporation all of such capital stock as the Reconstruction Finance Corporation may hold pursuant to any provision of law referred to in subsection (b) of Section 1 of the said Act of February 24, 1938, and to receive from the Secretary of Agriculture and the Governor of the Farm Credit Administration such stock of the Commodity Credit Corporation as they now hold.



The Secretary of the Treasury is hereby authorized and directed to exercise on behalf of the United States any and all rights accruing to the holder of such stock.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE  
March 22, 1938.

No. 7848

3 F. R. 632

[PUBLIC—No. 534—75TH CONGRESS] <sup>10</sup>

AN ACT Making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices, for the fiscal year ending June 30, 1939, and for other purposes

\* \* \* \* \*

COMMODITY CREDIT CORPORATION

Not to exceed \$520,288 of the funds of the Commodity Credit Corporation, established as an agency of the Government by Executive Order Numbered 6340, dated October 16, 1933, continued to April 1, 1937, as a governmental agency under section 7 of the Act approved January 31, 1935 (Public, Numbered 1, Seventy-fourth Congress), and further continued to June 30, 1939, by the Act of January 26, 1937 (Public, Numbered 2, Seventy-fifth Congress), shall be available during the fiscal year 1939 for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$150 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines; and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as non-administrative expenses for the purposes hereof.

\* \* \* \* \*

Act approved May 23, 1938

[PUBLIC—No. 660—75TH CONGRESS] <sup>11</sup>

AN ACT Relating to the manner of securing written consent for the reconcentration of cotton under section 383 (b) of the Agricultural Adjustment Act of 1938

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That in the administration of section 383 (b) of the Agricultural Adjustment Act of 1938 the written consent of the producer or borrower to the reconcentration of any cotton held as security for any loan heretofore or hereafter made or arranged for by the Commodity Credit Corporation shall not be deemed to have been given unless such consent shall have been given in an instrument made solely for that purpose. Notwithstanding any provision of any loan agreement heretofore made, no cotton held under any such agreement as security for any such loan shall be moved from one warehouse to another unless the written consent of the producer or borrower shall have been obtained in a separate instrument given solely for that purpose, as required by this Act. The giving of written consent for the reconcentration of cotton shall not be made a condition upon the making of any loan hereafter made or arranged for by the Commodity Credit Corporation: *Provided, however*, That in cases where there is congestion and lack of storage facilities, and the local warehouse certifies such fact and requests the Commodity Credit Corporation to move the cotton for reconcentration to some other point, or when the Commodity Credit Corporation determines such loan cotton

<sup>10</sup> 52 Stat. 410, 430.

<sup>11</sup> 52 Stat. 762.

is improperly warehoused and subject to damage, or if uninsured, or if any of the terms of the loan agreement are violated, or if carrying charges are substantially in excess of the average of carrying charges available elsewhere, and the local warehouse, after notice, declines to reduce such charges, such written consent as provided in this amendment need not be obtained; and consent to movement under any of the conditions of this proviso may be required in future loan agreements.

Approved, June 16, 1938.

[PUBLIC—No. 723—75TH CONGRESS] <sup>12</sup>

AN ACT Making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1938, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1938, and June 30, 1939, and for other purposes

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INDEPENDENT ESTABLISHMENTS

\* \* \* \* \*

COMMODITY CREDIT CORPORATION

Administrative expenses: The limitation of \$520,288 for administrative expenses of the Commodity Credit Corporation for the fiscal year 1939 contained in the Independent Offices Appropriation Act, 1939, is hereby increased to \$700,000.

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TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

\* \* \* \* \*

Restoration, capital impairment, Commodity Credit Corporation: To enable the Secretary of the Treasury, on behalf of the United States, to restore the amount of the capital impairment of the Commodity Credit Corporation as of March 31, 1938, by a contribution to the Corporation as provided by the Act approved March 8, 1938 (Public, Numbered 442, Seventy-fifth Congress), \$94,285,-404.73.

\* \* \* \* \*

Act approved June 25, 1938.

[PUBLIC—No. 3—76TH CONGRESS] <sup>13</sup>

AN ACT To continue the functions of the Commodity Credit Corporation and the Export-Import Bank of Washington, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (a) section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby further amended by striking from the first sentence thereof "June 30, 1939" and inserting in lieu thereof "June 30, 1941"; (b) section 9 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby further amended by striking from the first sentence thereof "June 30, 1939" and inserting in lieu thereof "June 30, 1941"; (c) section 9 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby further amended by inserting before the period at the end of the last sentence thereof a colon and the following: "Provided further, That the Export-Import Bank of Washington shall not have outstanding at any one time loans or other obligations to it in excess of \$100,000,000, the capital for which the Reconstruction Finance Corporation, when requested by the Secretary of the Treasury with the approval of the President, may continue to supply from time to time through loans or by subscription to preferred stock"; and (d) section 4 of the Act approved March 8,

<sup>12</sup> 52 Stat. 1114, 1116, 1148.

<sup>13</sup> 53 Stat. 510.

1938 (52 Stat. 108), is hereby amended by striking from the first sentence thereof "\$500,000,000" and inserting in lieu thereof "\$900,000,000".

Approved, March 4, 1939.

#### TRANSFER OF COMMODITY CREDIT CORPORATION TO UNITED STATES DEPARTMENT OF AGRICULTURE

Pursuant to the provisions of the Reorganization Act of 1939,<sup>14</sup> approved April 3, 1939, the President on April 25, 1939, submitted to the Congress Reorganization Plan No. 1,<sup>15</sup> which became effective July 1, 1939.

Section 4 of the Reorganization Plan reads as follows:

##### "PART 4. LENDING AGENCIES

"SECTION 401. (a) Transfers to the Department of Agriculture: The Farm Credit Administration, the Federal Farm Mortgage Corporation, and the Commodity Credit Corporation, and their functions and activities, together with their respective personnel, records, and property (including office equipment), are hereby transferred to the Department of Agriculture and shall be administered in such Department under the general direction and supervision of the Secretary of Agriculture, who shall be responsible for the coordination of their functions and activities.

"(b) Transfer of administrative funds: So much of the unexpended balances of appropriations, allocations, or other funds available (including those available for the fiscal year ending June 30, 1940) for the administrative expenses of any agency transferred by this section, as the Director of the Bureau of the Budget shall determine, shall be transferred to the Secretary of Agriculture for such use; and the Director of the Bureau of the Budget shall allocate to the Secretary of Agriculture from such funds, such sums, and in such proportions, as he may find necessary for the administrative expenses of the Secretary of Agriculture in connection with the agencies and functions transferred by this section. In determining the amount to be transferred, the Director of the Bureau of the Budget may include an amount to provide for the liquidation of obligations incurred against such appropriations, allocations, or other funds prior to the transfer. The use of the unexpended balances of appropriations, allocations, or other funds transferred by this subsection shall be subject to the provision of section 4 (d) (3) and section 9 of the Reorganization Act of 1939.

"(c) Transfer of other funds: All unexpended balances of appropriations, allocations, or other funds, other than those mentioned in subsection (b) of this section, available (including those available for the fiscal year ending June 30, 1940) for any agency transferred by subsection (a) of this section shall be transferred with such agency and shall remain available to it for the exercise of its functions.

"(d) Personnel: Any of the personnel transferred by this section to the Department of Agriculture which the Secretary of Agriculture shall find to be in excess of the personnel necessary for the administration of the functions transferred by this section shall be retransferred under existing law to other positions in the Government, or separated from the Service subject to the provisions of section 10 (a) of the Reorganization Act of 1939."

With reference to this portion of the Reorganization Plan, the President's message of transmittal contained the following:

##### "PART 4. FEDERAL LOAN AGENCY AND TRANSFERS OF INDEPENDENT LENDING AGENCIES

"In order to carry out the purposes of the Reorganization Act of 1939 I find it necessary and desirable to group under a Federal Loan Agency those independent lending agencies of the Government which have been established from time to time for the purpose of stimulating and stabilizing the financial, commercial, and industrial enterprises of the Nation.

<sup>14</sup> 53 Stat. 561.

<sup>15</sup> 53 Stat. 1429.

"The agencies to be grouped in the Federal Loan Agency are: The Reconstruction Finance Corporation, the Electric Home and Farm Authority, the Federal Home Loan Bank Board, the Federal Housing Administration and their associated agencies and boards, as well as the Export-Import Bank of Washington.

"Since 1916 the Congress has established from time to time agencies for providing loans, directly or indirectly, for the stimulation and stabilization of agriculture, and such agencies should in my opinion be grouped with the other agricultural activities of the Government. For that reason I find it necessary and desirable to accomplish the purposes of the act to transfer the Farm Credit Administration, the Federal Farm Mortgage Corporation, and the Commodity Credit Corporation and associated agencies to the Department of Agriculture."

[PUBLIC—No. 160—76TH CONGRESS] <sup>16</sup>

AN ACT Making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1939, to provide appropriations required immediately for the fiscal year ending June 30, 1940, and for other purposes

\* \* \* \* \*

#### DEPARTMENT OF AGRICULTURE

#### COMMODITY CREDIT CORPORATION

Salaries and administrative expenses: Not to exceed \$2,000,000 of the funds of the Commodity Credit Corporation, established as an agency of the Government by Executive Order Numbered 6340, dated October 16, 1933, and continued as such agency to June 30, 1941, by the Act of March 4, 1939 (Public Act Numbered 3, Seventy-sixth Congress), shall be available during the fiscal year 1940 for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 2, 1926, as amended (5 U. S. C. 821-833); printing and binding; law books and books of reference; not to exceed \$150 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as non-administrative expenses for the purposes hereof: *Provided*, That the funds made available by this paragraph shall be subject to section 4 of the Independent Offices Appropriation Act, 1940.

\* \* \* \* \*

SEC. 3. This Act may be cited as the "Urgent Deficiency and Supplemental Appropriation Act, fiscal years 1939 and 1940."

Approved, June 30, 1939.

THE PRESIDENT.

EXECUTIVE ORDER <sup>17</sup>

DESIGNATING THE SECRETARY OF AGRICULTURE AS THE OFFICER TO EXERCISE THE RIGHTS OF THE UNITED STATES ARISING OUT OF THE OWNERSHIP OF THE CAPITAL STOCK OF THE COMMODITY CREDIT CORPORATION

By virtue of the authority vested in me by section 3 of the act of March 8, 1938, 52 Stat. 107, I hereby designate the Secretary of Agriculture as the officer to exercise on behalf of the United States any and all rights of the United States arising out of the ownership of the capital stock of the Commodity Credit Corporation.

This order supersedes the second paragraph of Executive Order No. 7848 of March 22, 1938, authorizing and directing the Secretary of the Treasury to exer-

<sup>16</sup> 53 Stat. 980.

<sup>17</sup> 4 F.R. 3565.



cise on behalf of the United States any and all rights accruing to the holder of such capital stock.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, Aug. 7, 1939.

(No. 8219)

[PUBLIC—No. 361—76TH CONGRESS] <sup>18</sup>

AN ACT Making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1939, and for prior fiscal years, to provide supplemental appropriations for the fiscal years ending June 30, 1939, and June 30, 1940, and for other purposes

\* \* \* \* \*

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

Restoration, capital impairment, Commodity Credit Corporation: To enable the Secretary of the Treasury, on behalf of the United States, to restore the amount of the capital impairment of the Commodity Credit Corporation as of March 31, 1939, by contribution to the Corporation as provided by the Act approved March 8, 1938 (Public, Numbered 442, Seventy-fifth Congress), fiscal year 1940, \$119,559,918.05.

\* \* \* \* \*

Approved, August 9, 1939.

[PUBLIC—No. 337—76TH CONGRESS] <sup>19</sup>

AN ACT To facilitate the execution of arrangements for the exchange of surplus agricultural commodities produced in the United States for reserve stocks of strategic and critical materials produced abroad

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, notwithstanding any other provision of law, whenever the President, by and with the advice and consent of the Senate, has concluded a treaty involving the exchange of surplus agricultural commodities produced in the United States which are held under loans made or made available by the Commodity Credit Corporation for stocks of strategic and critical materials produced abroad, the Commodity Credit Corporation is authorized, upon terms and conditions prescribed by the Secretary of Agriculture, to accept such strategic and critical materials in exchange for such surplus agricultural commodities; and for the purpose of such exchange the Secretary of War, the Secretary of the Navy, and the Secretary of the Interior acting jointly through the agency of the Army and Navy Munitions Board shall determine which materials are strategic and critical and the quantity and quality of such materials. In order to carry out the provisions of this Act, the Commodity Credit Corporation is authorized, upon terms and conditions prescribed by the Secretary of Agriculture, to procure, convey, transport, handle, store, maintain, or rotate such surplus agricultural commodities, and such reserve stocks of strategic and critical materials, as may be necessary to accomplish the purposes of this Act.

The Commodity Credit Corporation is authorized and directed to transfer to warehouses in or near cotton manufacturing centers in New England not to exceed three hundred thousand bales of cotton, to which it now has title or may hereafter acquire title, having regard for the grades and staples customarily required by manufacturers in that area: *Provided*, That all necessary costs in connection with such transfer will not result in additional net cost to the Corporation.

In determining specific cotton to be exchanged under this Act, the determination shall be made by sampling and selection at the place where the cotton is stored on the date of ratification of a treaty providing for such exchange, and no cotton shall be exchanged under such treaty which, after such date, is transported to an-

<sup>18</sup> 53 Stat. 1301.

<sup>19</sup> 53 Stat. 1407.



other place and there sampled and selected. Such reserve stocks of strategic and critical materials shall be stored on military or naval reservations or in other locations approved by the Secretary of War and the Secretary of the Navy. The Commodity Credit Corporation is authorized to transfer such reserve stocks of strategic and critical materials, upon such terms and conditions as the Secretary of Agriculture shall approve, to any other governmental agency. Such reserve stocks or strategic and critical materials shall be made available or disposed of by the Commodity Credit Corporation or other governmental agency only upon order of the President in accordance with the terms of the applicable treaty; when necessary to prevent deterioration, the Commodity Credit Corporation or other governmental agency is authorized to replace those quantities of the reserve stocks of such strategic and critical materials subject to deterioration with equivalent quantities of the same materials. The funds now or hereafter made available to the Commodity Credit Corporation are hereby made available to carry out the purposes of this Act. There is hereby authorized to be appropriated such additional sums as may be required to carry out the provisions of this Act. All funds for carrying out the provisions of this Act shall be available for allotment to bureaus and offices of the Department of Agriculture, and for transfer to such other agencies of the Federal Government as the Secretary of Agriculture may request to cooperate or assist in carrying out the provisions of this Act.

Approved, August 11, 1939.

[PUBLIC RESOLUTION—No. 52—76TH CONGRESS] <sup>20</sup>

**JOINT RESOLUTION** To authorize the sale of surplus agricultural commodities, and for other purposes

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That notwithstanding any other provision of law, the Commodity Credit Corporation, with the approval of the President, is authorized to sell surplus agricultural commodities, acquired by such Corporation through its loan operations, to foreign governments on the condition that, except for rotation to prevent deterioration, such commodities shall be held in reserve by such governments for a period of not less than five years from the date of acquisition, and shall not be disposed of unless a war or war emergency results in a serious interruption of normal supplies of such commodities: *Provided*, That under this joint resolution no concession below the prevailing world market price for the unrestricted use of such commodities, as determined by the Secretary of Agriculture, shall be granted, in consideration of the obligation assumed by such governments to hold such commodities in reserve as required hereinbefore, in excess of a maximum amount equal to the average carrying charges, as estimated by the Secretary of Agriculture, that would be incurred if such commodities should be held for an additional eighteen months' period by the Commodity Credit Corporation. In determining specific cotton to be sold under this Act, the determination shall be made by sampling and selection at the place where the cotton is stored on the date of signing any sales agreement or contract under this Act, and no cotton shall be sold under any such sales agreement or contract which, after such date, is transported to any other place and there sampled and selected: *Provided further*, That in case of a sale, settlement must be made within sixty days after delivery and not more than five hundred thousand bales of cotton shall be sold upon the terms and conditions provided in this joint resolution.

Approved, August 11, 1939.

[PUBLIC—No. 658—76TH CONGRESS] <sup>21</sup>

**AN ACT** Making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1941, and for other purposes

\* \* \* \* \*

COMMODITY CREDIT CORPORATION

Salaries and administrative expenses: Not to exceed \$2,000,000 of the funds of the Commodity Credit Corporation, established as an agency of the Government by Executive Order Numbered 6340, dated October 16, 1933, and continued

<sup>20</sup> 53 Stat. 1418.

<sup>21</sup> 54 Stat. 532, 562.

as such agency to June 30, 1941, by the Act of March 4, 1939 (53 Stat. 510), shall be available during the fiscal year 1941 for administrative expenses of the Corporation, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$250 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That the Secretary of Agriculture may make allotments from this appropriation, subject to the approval of the Director of the Bureau of the Budget, to the offices and divisions of the office of the Secretary for the performance of departmental services for the Commodity Credit Corporation: *Provided further*, That none of the fund made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended.

\* \* \* \* \*

This Act may be cited as the "Department of Agriculture Appropriation Act, 1941".

Approved, June 25, 1940.

[PUBLIC—No. 716—76TH CONGRESS] <sup>22</sup>

AN ACT To amend the Soil Conservation and Domestic Allotment Act, as amended, the Agricultural Adjustment Act of 1938, as amended, and for other purposes

\* \* \* \* \*

SEC. 8. That Section 391 of the Agricultural Adjustment Act of 1938, as amended, is amended by adding thereto the following new subsection:

"(c) During each fiscal year, beginning with the fiscal year ending June 30, 1941, the Commodity Credit Corporation is authorized and directed to loan to the Secretary such sums, not to exceed \$50,000,000, as he estimates will be required during such fiscal year, to make crop insurance premium advances and to make advances pursuant to the applicable provisions of sections 8 and 12 of the Soil Conservation and Domestic Allotment Act, as amended, in connection with programs applicable to crops harvested in the calendar year in which such fiscal year ends, and to pay the administrative expenses of county agricultural conservation associations for the calendar year in which such fiscal year ends. The sums so loaned during any fiscal year shall be transferred to the current appropriation available for carrying out sections 7 to 17 of such Act and shall be repaid, with interest at a rate to be determined by the Secretary but not less than the cost of money to the Commodity Credit Corporation for a comparable period, during the succeeding fiscal year from the appropriation available for that year or from any unobligated balance of the appropriation for any other year."

\* \* \* \* \*

Approved, July 2, 1940.

[PUBLIC—No. 759—76TH CONGRESS] <sup>23</sup>

AN ACT To increase the credit resources of Commodity Credit Corporation

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the Act approved March 8, 1938 (52 Stat. 107), as amended by the Act of March 4, 1939 (53 Stat. 510),

<sup>22</sup> 54 Stat. 727.

<sup>23</sup> 54 Stat. 782.

be amended as follows: In section 4 delete the figure "\$900,000,000" and insert in lieu thereof the figure "\$1,400,000,000".

Approved, August 9, 1940.

[PUBLIC—No. 7—77TH CONGRESS] <sup>24</sup>

AN ACT To increase the debt limit of the United States, to provide for the Federal taxation of future issues of obligations of the United States and its instrumentalities, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1941.*

\* \* \* \* \*

SEC. 4. (a) Interest upon, and gain from the sale or other disposition of, obligations issued on or after the effective date of this Act by the United States or any agency or instrumentality thereof shall not have any exemption, as such, and loss from the sale or other disposition of such obligations shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted; except that any such obligations which the United States Maritime Commission or the Federal Housing Administration has, prior to the effective date of this Act, contracted to issue at a future date, shall when issued bear such tax-exemption privileges as were, at the time of such contract, provided in the law authorizing their issuance. For the purposes of this subsection a Territory, a possession of the United States, and the District of Columbia, and any political subdivision thereof, and any agency or instrumentality of any one or more of the foregoing, shall not be considered as an agency or instrumentality of the United States.

(b) The provisions of this section shall, with respect to such obligations, be considered as amendatory of and supplementary to the respective Acts or parts of Acts authorizing the issuance of such obligations, as amended and supplemented.

SEC. 5. This Act, except sections 2 (b) and (c), shall become effective on the first day of the month following the date of its enactment.

Approved, February 19, 1941.

[PUBLIC—No. 27—77TH CONGRESS] <sup>25</sup>

AN ACT To amend the Agricultural Adjustment Act of 1933, as amended, for the purpose of regulating interstate and foreign commerce in peanuts, and for other purposes

\* \* \* \* \*

"MARKETING PENALTIES

"SEC. 359. \* \* \*

"(c) If, in any referendum carried out pursuant to subsection (b) of section 358, marketing quotas with respect to peanuts are opposed by more than one-third of the farmers voting in such referendum, no peanut-diversion program or peanut loan shall be in effect with respect to the crop produced in the calendar year immediately following that in which the referendum is held. If quotas are approved by not less than two-thirds of the farmers voting in such referendum, either a peanut-diversion program or a peanut-loan program, or both, shall be in effect with respect to the crops of peanuts produced in the three calendar years immediately following the year in which the referendum is held. The Commodity Credit Corporation is directed to make available loans upon peanuts during any marketing year in which marketing quotas are in effect. Such loans shall be made only to producers, farmer cooperatives, and farmer associations, only on the marketing quota for each farm, at rates not less than 50 per centum and not more than 75 per centum of the parity price of peanuts as of the beginning of the marketing year (which parity price shall be on the basis of the formula used in determining the parity price of peanuts as published by the Bureau of Agricultural Economics in *The Agricultural Situation*, volume 25, number 1, January 1941), and the peanuts shall be the sole security

<sup>24</sup> 55 Stat. 7, 9.

<sup>25</sup> 55 Stat. 88, 90.



for such loans. If a referendum is held in 1941 with respect to the crop produced in 1941, the provisions of this subsection shall apply as though such referendum had been held in the calendar year 1940.

"(f) There is hereby authorized to be appropriated, each fiscal year beginning with the fiscal year 1941, out of any moneys in the Treasury not otherwise appropriated, such sums as may be necessary for the purposes set forth in this part and for the expenses of administering this part.

\* \* \* \* \*

Approved, April 3, 1941.

[PUBLIC—No. 73—77TH CONGRESS] <sup>26</sup>

AN ACT Making appropriations to supply additional urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1941, and for other purposes

\* \* \* \* \*

DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation, salaries and administrative expenses: The limitation of \$2,000,000 for administrative expenses of the Commodity Credit Corporation for the fiscal year 1941 contained in the Department of Agriculture Appropriation Act, 1941, is hereby increased to \$2,250,000.

\* \* \* \* \*

SEC. 2. This Act may be cited as the "Additional Urgent Deficiency Appropriation Act, 1941."

Approved, May 24, 1941.

[PUBLIC—No. 74—77TH CONGRESS] <sup>27 28 29</sup>

JOINT RESOLUTION Relating to corn and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That, notwithstanding the provisions of the Agricultural Adjustment Act of 1938, as amended (hereinafter referred to as the Act)—

\* \* \* \* \*

(10) The Commodity Credit Corporation is directed to make available upon the 1941, 1942, 1943, 1944, 1945, and 1946 crops of the commodities cotton, corn, wheat, rice, tobacco and peanuts for which producers have not disapproved marketing quotas for the marketing year beginning in the calendar year in which such crop is harvested, loans as follows:

(a) To cooperators (except cooperators outside the commercial corn-producing area, in the case of corn) at the rate of 85 per centum of the parity price for the commodity as of the beginning of the marketing year;

(b) To cooperators outside the commercial corn-producing area, in the case of corn, at the rate of 75 per centum of the rate specified in (a) above;

(c) To noncooperators (except noncooperators outside the commercial corn-producing area, in the case of corn) at the rate of 60 per centum of the rate specified in (a) above and only on so much of the commodity as would be subject to penalty if marketed.

(11) The provisions of this resolution are amendatory of and supplementary to the Act, and all provisions of law applicable in respect of marketing quotas and loans under such Act as so amended and supplemented shall be applicable, but nothing in this resolution shall be construed to amend or repeal section 301 (b) (6), 323 (b), or 335 (d) of the Act.

Approved, May 26, 1941.

<sup>26</sup> 55 Stat. 197, 201.

<sup>27</sup> 55 Stat. 203.

<sup>28</sup> As amended by Public Law No. 374, 77th Congress, 55 Stat. 860, approved December 26, 1941.

<sup>29</sup> This Resolution was further amended by Section 8 of Public, No. 729, 77th Congress, approved October 2, 1942, which Act is included in this Compilation.

[PUBLIC—No. 44—77TH CONGRESS]<sup>30</sup>

AN ACT Making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1942, and for other purposes

\* \* \* \* \*

## COMMODITY CREDIT CORPORATION

Salaries and administrative expense: Not to exceed \$1,500,000 of the funds of the Commodity Credit Corporation shall be available for administrative expenses of the Corporation in carrying out its activities as authorized by law, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$250 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That the Secretary of Agriculture may make allotments from this appropriation, subject to the approval of the Director of the Bureau of the Budget, to the offices and divisions of the office of the Secretary for the performance of departmental services for the Commodity Credit Corporation: *Provided further*, That none of the fund made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended.

\* \* \* \* \*

This Act may be cited as the "Department of Agriculture Appropriation Act, 1942."

Approved, July 1, 1941.

[PUBLIC—No. 147—77TH CONGRESS]<sup>31 32</sup>

AN ACT To extend the life and increase the credit resources of the Commodity Credit Corporation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby amended by deleting from the first sentence thereof the term "June 30, 1941" and inserting in lieu thereof the term "June 30, 1943".

SEC. 2. Section 1 of the Act approved March 8, 1938 (52 Stat. 107), as amended, is hereby amended by deleting from the second sentence thereof the term "on the basis of market prices at the time of appraisal" and inserting in lieu thereof the term "on the basis of the cost, including not more than one year of carrying charges, of such assets to the Corporation, or the average market prices of such assets for a period of twelve months ending with March 31 of each year, whichever is less;"

SEC. 3. Section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by deleting the term "\$1,400,000,000" and inserting in lieu thereof the term "\$2,650,000,000".

SEC. 4. (a) Whenever during the existing emergency the Secretary of Agriculture finds it necessary to encourage the expansion of production of any non-basic agricultural commodity, he shall make public announcement thereof and he shall so use the funds made available under section 3 of this Act or otherwise made available to him for the disposal of agricultural commodities, through

<sup>30</sup> 55 Stat. 408, 437.

<sup>31</sup> 55 Stat. 498.

<sup>32</sup> This Act was amended by Section 9 of Public No. 729, 77th Congress, approved October 2, 1942, which Act is included in this Compilation.



a commodity loan, purchase, or other operation, taking into account the total funds available for such purpose for all commodities, so as to support a price for the producers of any such commodity with respect to which such announcement was made of not less than 85 per centum of the parity or comparable price therefor. The comparable price for any such commodity shall be determined and used by the Secretary for the purposes of this section if the production or consumption of such commodity has so changed in extent or character since the base period as to result in a price out of line with parity prices for basic commodities. Any such commodity loan, purchase, or other operation which is undertaken shall be continued until the Secretary has given sufficient public announcement to permit the producers of such commodity to make a readjustment in the production of the commodity. For the purposes of this section, commodities other than cotton, corn, wheat, tobacco, and rice shall be deemed to be nonbasic commodities.

(b) It is hereby declared to be the policy of the Congress that the lending and purchase operations of the Department of Agriculture (other than those referred to in subsection (a)) shall be carried out so as to bring the price and income of the producers of non-basic commodities not covered by any such public announcement to a fair parity relationship with other commodities, to the extent that funds for such operations are available after taking into account the operations with respect to the basic commodities and the commodities listed in any such public announcement and the ability of producers to bring supplies into line with demand.

Approved, July 1, 1941.

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[PUBLIC—NO. 150—77TH CONGRESS] <sup>23</sup>

AN ACT Making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1941, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1942, and for other purposes

\* \* \* \* \*

#### DEPARTMENT OF AGRICULTURE

##### COMMODITY CREDIT CORPORATION

Salaries and administrative expenses: For an additional amount for salaries and administrative expenses, Commodity Credit Corporation, fiscal year 1942, \$2,000,000 of the funds of said Corporation, to be available for the objects specified under this heading in the Department of Agriculture Appropriation Act, 1942.

\* \* \* \* \*

#### TREASURY DEPARTMENT

##### OFFICE OF THE SECRETARY

\* \* \* \* \*

Restoration, capital impairment, Commodity Credit Corporation: To enable the Secretary of the Treasury to restore the amount of the capital impairment of the Commodity Credit Corporation as provided by the Act approved March 8, 1938, fiscal year 1941, \$1,637,445.51, or so much thereof as may be necessary.

\* \* \* \* \*

SEC. 306. This Act may be cited as the "Second Deficiency Appropriation Act, 1941."

Approved, July 3, 1941.

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#### BOARD OF ECONOMIC WARFARE

WASHINGTON, D. C.

##### DIRECTIVE No. 2—REVISION No. 1

*To Commodity Credit Corporation, Reconstruction Finance Corporation, Defense Supplies Corporation, and U. S. Commercial Company*

Pursuant to the authority conferred by Executive Order No. 9128, April 13, 1942, and the published Rules and Regulations of the Board of Economic Warfare issued thereunder, effective April 20, 1942, the following revision of Directive No. 2, issued May 16, 1942, is hereby issued:

<sup>23</sup> 55 Stat. 541, 550.

(1) As used herein, (a) the term "imported materials contracts" shall have the meaning assigned thereto in the above mentioned Rules and Regulations; and (b) the term "agricultural commodities" shall include the commodities enumerated in Exhibit A attached hereto, which Exhibit may from time to time be supplemented or otherwise modified by the Executive Director of the Board of Economic Warfare.

(2) Except as to purchases by U. S. Commercial Company, on and after May 20, 1942, Commodity Credit Corporation, an agency of the United States in the United States Department of Agriculture, shall be the sole and exclusive agency for the negotiation and conclusion or amendment, subject to the prior approval of, or as may hereafter be directed by, the Board of Economic Warfare, of all imported materials contracts for agricultural commodities.

(3) Reconstruction Finance Corporation and Defense Supplies Corporation, or either of them, insofar as they are jointly or severally parties to an executed imported materials contract for agricultural commodities, shall discharge their obligations thereunder. In the event that negotiations are pending or in progress relative to imported materials contracts for agricultural commodities, Reconstruction Finance Corporation and Defense Supplies Corporation, or either of them, shall invite representatives of Commodity Credit Corporation to participate therein and such contracts, unless concluded by Reconstruction Finance Corporation and Defense Supplies Corporation, or either of them, prior to May 20, 1942, shall be concluded by Commodity Credit Corporation.

(4) Directive No. 1, issued by the Board of Economic Warfare, effective April 20, 1942, shall remain in full force and effect.

MILO PERKINS, *Executive Director.*

JUNE 20, 1942.

#### EXHIBIT A

##### *Directive No. 2—Revision No. 1, Board of Economic Warfare*

Alcohol, industrial	Corn or maize oil (edible)
Alfalfa seed	Cotton linters (munitions or chemical grades)
Babassu nuts and kernels	Cotton osnaburg
Babassu-nut oil	Cotton, Sea Island
Bananas	Cotton, Egyptian
Barley malt	Cotton, sheeting
Beans, dried	Cotton linters, Grades 1 and 2 (other than munitions and chemical grades)
Beef and veal, pickled or cured	Cotton, raw
Bees wax	Cotton, waste
Bois de Rose (Lignalore) oil	Cotton seed
Bran shorts	Cottonseed oil, crude and refined
Brazil nuts	Derris root
Butter	Dog food (canned)
Cacao butter	Eggs (chicken)
Canned beef (for industry)	Fish and shell fish
Calabar beans	Fish livers
Casein and Lactarine	Fish scrap meal
Cashew nuts and kernels	Flax
Cashew-nut oil	Garlic
Cashew-nut shell oil	Glycerine, crude and refined
Castor beans	Grapes
Castor oil	Hempseed
Cassava	Honey
Cheese	Lentils and Lupines
Chick peas	Linseed (Flaxseed)
Cigar leaf	Linseed oil
Cocoa and cocoa beans	Mate
Coconut oil	Meat extracts
Cod liver oil	Melons
Cod oil	Milk, condensed or evaporated
Coffee	Millet seed
Cohune nuts and kernels	Molasses, edible and inedible
Copra	Muru Muru nuts and kernels
Coriander seed	
Corn, cracked corn, meal, etc.	

Neatsfoot oil	Rubber seed
Offal, edible	Rubber seed oil
Oil cake and meal (cotton seed, pea- nut, hempseed, etc.)	Rye
Oiticica oil	Sausage casings
Oleo stearin	Sesame seed
Onions	Shark oil
Ouricury oil	Shark liver oil
Ouricury kernels	Soap, except Castile and Soap powder
Palm kernels	Sperm oil, crude and refined
Palm kernel oil	Sugar, cane
Palm oil	Sunflower seed
Peaches	Sunflower oil, edible and denatured
Pears	Tallow, beef and mutton, edible and inedible (including oleo stock)
Peas	Tallow, vegetable
Peanut oil	Tapioca, tapioca flour
Peppers	Tonka beans
Pyrethrum flowers	Tucum nuts and kernels
Rapeseed oil	Tung oil (chinawood oil)
Red clover seed	Vanilla beans
Rice meal, flour, etc.	Whale oil
Rice, broken	Wool grease
Rotenone and roots	

[PUBLIC—No. 674—77TH CONGRESS]

AN ACT Making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1943, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Agriculture for the fiscal year ending June 30, 1943, namely:

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

Salaries and administrative expenses: Not to exceed \$3,513,498, of the funds of the Commodity Credit Corporation shall be available for administrative expenses of the Corporation in carrying out its activities as authorized by law, including personal services in the District of Columbia and elsewhere; travel expenses, in accordance with the Standardized Government Travel Regulations and the Act of June 3, 1926, as amended (5 U. S. C. 821-833); printing and binding; lawbooks and books of reference; not to exceed \$400 for periodicals, maps, and newspapers; procurement of supplies, equipment, and services; typewriters, adding machines, and other labor-saving devices, including their repair and exchange; rent in the District of Columbia and elsewhere; and all other necessary administrative expenses: *Provided*, That all necessary expenses (including legal and special services performed on a contract or fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Corporation or in which it has an interest, including expenses of collections of pledged collateral, shall be considered as nonadministrative expenses for the purposes hereof: *Provided further*, That none of the fund made available by this paragraph shall be obligated or expended unless and until an appropriate appropriation account shall have been established therefor pursuant to an appropriation warrant or a covering warrant, and all such expenditures shall be accounted for and audited in accordance with the Budget and Accounting Act of 1921, as amended: *Provided further*, That none of the fund made available by this paragraph shall be used for administrative expenses connected with the sale of Government-owned or Government-controlled stocks of farm commodities at less than parity price as defined by the Agricultural Adjustment Act of 1938: *Provided further*, That the foregoing proviso shall not apply to the sale or other disposition of any agricultural commodity to or by the Agricultural Marketing Administration for distribution exclusively for relief purposes, nor



to grain which has substantially deteriorated in quality or is sold for the purpose of feeding or the manufacture of ethyl alcohol, butyl alcohol, acetone, or rubber, or commodities sold to farmers for seed, and sale of cotton required in connection with the present new uses program being carried on by the Department of Agriculture: *Provided further*, That not more than one hundred and twenty-five million bushels of wheat may be sold for feeding purposes: *Provided further*, That no grain shall be sold for feed at a price less than 85 per centum of the parity price of corn at the time such sale is made.

\* \* \* \* \*

This Act may be cited as the "Department of Agriculture Appropriation Act, 1943."

Approved, July 22, 1942.

#### WAR PRODUCTION BOARD

#### PART 903—DELEGATIONS OF AUTHORITY

#### (Directive No. 7)

#### COMMODITY CREDIT CORPORATION

#### Authority Over Vegetable Oil Seeds

SEC. 903.12 *Delegation of allocation authority over vegetable oil seeds to Commodity Credit Corporation.* Pursuant to the authority vested in me by Executive Order No. 9024 of January 16, 1942, Executive Order No. 9040 of January 24, 1942, and Executive Order 9125 of April 7, 1942, and in order to delegate to Commodity Credit Corporation authority to provide for the increased production of oil and linters from vegetable oil seeds, it is hereby ordered that:

(a) Commodity Credit Corporation is authorized, from and after the effective date of this Directive, to perform the functions and exercise the power, authority and discretion conferred upon the President by section 2 (a) of the Act of June 28, 1940 (Pub. No. 671, 76th Cong., 54 Stat. 676) as amended by the Act of May 31, 1941 (Pub. No. 89, 77th Cong., 55 Stat. 236), with respect to the allocation of vegetable oil seeds and oilseed products, and more particularly, without limiting the generality of the foregoing, (1) to direct the kinds, quantities and conditions of purchase and sale of any vegetable oil seeds to be received or crushed by any crusher, and the kinds, quantities and conditions of purchase and sale of oilseed products to be received or first processed by any refiner or bleacher, (2) to direct the kinds and quantities of vegetable oil seeds and oilseed products to be stored, (3) to direct the type and method of operation of crushing facilities suitable for the crushing of vegetable oil seeds, (4) to direct the area within which vegetable oil seeds and oilseed products may be purchased or not purchased, all in such manner and to such extent as it may deem necessary, in the public interest and to promote the National Defense, for assuring the production of sufficient oil and linters from vegetable oil seeds and the efficient use of processing facilities. The authority of Commodity Credit Corporation under this Directive shall include the power to regulate or prohibit the processing, sale, transfer or other disposition of vegetable oil seeds and any oil, meal, cake or linters derived therefrom by any person who has acted in violation of any regulation or order prescribed by Commodity Credit Corporation hereunder, and the power to allocate to itself the entire production, or any portion thereof, of any vegetable oil seeds or oilseed products for resale by it on such terms as it deems appropriate. Commodity Credit Corporation is likewise authorized to require such reports and the keeping of such records, and to make such investigations as it may deem necessary or appropriate for the administration of the allocation powers conferred herein; and it may take such measures as it may deem necessary or appropriate for the enforcement of any direction or order prescribed pursuant to this Directive.

(b) The Commodity Credit Corporation may exercise the power, authority and discretion conferred upon it by this Directive through such officials, including part time and uncompensated special agents, and in such manner as it may determine.

(c) The Chairman of the War Production Board may from time to time delegate to Commodity Credit Corporation such additional powers with respect to the exercise of control over vegetable oil seeds and oilseed products, or amend the delegation herein in such manner and to such extent as he may determine to be necessary or appropriate.

(d) Nothing herein shall be construed to limit or modify any order heretofore issued by the Director of Priorities of the Office of Production Management, or the Director of Industry Operations of the War Production Board, or the Director General for Operations of the War Production Board, nor to delegate to Commodity Credit Corporation the power to extend, amend or modify any such order, nor to terminate or limit the power of the Director General for Operations to issue future orders regulating transactions in vegetable oil seeds and oilseed products. The authority hereby delegated shall be exercised in conformity with any such order heretofore or hereafter issued.

(e) For the purposes of this Directive:

(1) "Vegetable oil seeds" means cottonseed, flaxseed, peanuts and soybeans.

(2) To "crush" means to press, expel or extract oils from vegetable oil seeds.

(3) "Crusher" means a person who crushes vegetable oil seeds.

(4) "Oilseed products" means crude oil, oil meal and linters derived from vegetable oil seeds.

This Directive shall take effect with respect to cottonseed, flaxseed, and peanuts and products made therefrom, on September 1, 1942, and with respect to soybeans and products made therefrom on October 1, 1942, and in each case shall continue in effect for one year from the applicable effective date unless sooner revoked by the Chairman of the War Production Board.

Issued this 15th day of August 1942.

W. L. BATT, *Acting Chairman.*

(F. R. Doc. 42-8065; Filed, August 18, 1942; 10:32 a. m.)

[PUBLIC—No. 729—77TH CONGRESS]

AN Act To amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That in order to aid in the effective prosecution of the war, the President is authorized and directed, on or before November 1, 1942, to issue a general order stabilizing prices, wages, and salaries, affecting the cost of living; and, except as otherwise provided in this Act, such stabilization shall so far as practicable be on the basis of the levels which existed on September 15, 1942.

\* \* \* \* \*

SEC. 8. (a) The Commodity Credit Corporation is authorized and directed to make available upon any crop of the commodities cotton, corn, wheat, rice, tobacco, and peanuts harvested after December 31, 1941, and before the expiration of the two-year period beginning with the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated, if producers have not disapproved marketing quotas for such commodity for the marketing year beginning in the calendar year in which such crop is harvested, loans as follows:

(1) To cooperators (except cooperators outside the commercial corn-producing area, in the case of corn) at the rate of 90 per centum of the parity price for the commodity as of the beginning of the marketing year;

(2) To cooperators outside the commercial corn-producing area, in the case of corn, at the rate of 75 per centum of the rate specified in (1) above;

(3) To noncooperators (except noncooperators outside the commercial corn-producing area, in the case of corn) at the rate of 60 per centum of the rate specified in (1) above and only on so much of the commodity as would be subject to penalty if marketed.

(b) All provisions of law applicable with respect to loans under the Agricultural Adjustment Act of 1938, as amended, shall, insofar as they are not



inconsistent with the provisions of this section, be applicable with respect to loans made under this section.

(c) In the case of any commodity with respect to which loans may be made at the rate provided in paragraph (1) of subsection (a), the President may fix the loan rate at any rate not less than the loan rate otherwise provided by law if he determines that the loan rate so fixed is necessary to prevent an increase in the cost of feed for livestock and poultry and to aid in the effective prosecution of the war.

SEC. 9. (a) Section 4 (a) of the Act entitled "An Act to extend the life and increase the credit resources of the Commodity Credit Corporation, and for other purposes," approved July 1, 1941 (U. S. C., 1940 edition, Supp. I, title 15, sec. 713a-8) is amended—

(1) By inserting after the words "so as to support" a comma and the following: "during the continuance of the present war and until the expiration of the two-year period beginning with the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated,".

(2) By striking out "85 per centum" and inserting in lieu thereof "90 per centum."

(3) By inserting after the word "tobacco" a comma and the word "peanuts".

(b) The amendments made by this section shall, irrespective of whether or not there is any further public announcement under such section 4 (a), be applicable with respect to any commodity with respect to which a public announcement has heretofore been made under such section 4 (a).

\* \* \* \* \*

Approved, October 2, 1942.

THE PRESIDENT

EXECUTIVE ORDER

#### PROVIDING FOR THE STABILIZING OF THE NATIONAL ECONOMY

By virtue of the authority vested in me by the Constitution and the Statutes, and particularly by the Act of October 2, 1942, entitled "An Act to Amend the Emergency Price Control Act of 1942, to Aid in Preventing Inflation, and for Other Purposes," as President of the United States and Commander in Chief of the Army and Navy, and in order to control so far as possible the inflationary tendencies and the vast dislocations attendant thereon which threaten our military effort and our domestic economic structure, and for the more effective prosecution of the war, it is hereby ordered as follows:

\* \* \* \* \*

#### TITLE V—PROFITS AND SUBSIDIES

\* \* \* \* \*

2. The Director may direct any Federal department or agency including, but not limited to, the Department of Agriculture (including the Commodity Credit Corporation and the Surplus Marketing Administration), the Department of Commerce, the Reconstruction Finance Corporation, and other corporations organized pursuant to Section 5d of the Reconstruction Finance Corporation Act, as amended, to use its authority to subsidize and to purchase for resale, if such measures are necessary to insure the maximum necessary production and distribution of any commodity, or to maintain ceiling prices, or to prevent a price rise inconsistent with the purposes of this Order.

\* \* \* \* \*

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,  
October 3, 1942.

(No. 9250)

[F. R. Dock 42-9889; Filed, October 3, 1942; 1:04 p. m.]

7 F. R. 7871.

[PUBLIC—No. 763—77TH CONGRESS]

AN ACT Making supplemental appropriations for the national defense for the fiscal year ending June 30, 1943, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the national defense for the fiscal year ending June 30, 1943, and for other purposes, namely:

\* \* \* \* \*

## DEPARTMENT OF AGRICULTURE

\* \* \* \* \*

## COMMODITY CREDIT CORPORATION

Salaries and administrative expenses: For an additional amount for salaries and administrative expenses of the Commodity Credit Corporation, fiscal year 1943, including the objects specified under this head in the Department of Agriculture Appropriation Act, 1943, \$625,000, payable from the funds of such Corporation.

\* \* \* \* \*

SEC. 307. This Act may be cited as the "Second Supplemental National Defense Appropriation Act, 1943."

Approved, October 26, 1942.

[PUBLIC—No. 18—78TH CONGRESS]

## JOINT RESOLUTION To permit additional sales of wheat for feed

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That the limitation contained in the Department of Agriculture Appropriation Act, fiscal year 1943, on the quantity of wheat which Commodity Credit Corporation can sell for feed is hereby increased from one hundred and twenty-five million to two hundred and twenty-five million bushels: *Provided, however*, That no such wheat shall be sold at a price less than the parity price of corn at the time such sale is made: *Provided further*, That in making regional adjustments in the sale price of wheat, the minimum price shall not be higher in any area than the United States average parity price of corn.

Approved, March 25, 1943.

## DEPARTMENT OF AGRICULTURE AND BOARD OF ECONOMIC WARFARE

## JOINT ORDER CLARIFYING FUNCTIONS AND RESPONSIBILITIES

*Public Purchase of Food and Facilities Necessary for War Effort and Civilian Economy.*

Executive Order No. 9280 of December 5, 1942 (7 F. R. 10179), directs that the Secretary of Agriculture "assume full responsibility for and control over the nation's food program," that "in exercising such authority, he shall," among other things, "promulgate policies to govern the purchase and procurement of food by all other Federal agencies," and that "existing methods for the purchase and procurement of food by other Federal agencies shall continue until otherwise determined by the Secretary pursuant to this Executive Order." Executive Order No. 9280 further provides that "with respect to the issuance of the directives for the importation of food heretofore issued to the Board of Economic Warfare by the Chairman of the War Production Board under Executive Order No. 9128 of April 13, 1942 (7 F. R. 2899), the Secretary shall issue those directives which relate to the importation of food for human and animal consumption, and the Chairman of the War Production Board and the Secretary shall jointly issue those directives which relate to the importation of food for industrial uses." Executive Order No. 9128 of April 13, 1942, provides that the Board of Economic Warfare "receive and be responsible for executing directives \* \* \* as to

quantities, specifications, delivery time schedules, and priorities of materials and commodities \* \* \* required to be imported for the war production effort and the civilian economy," and that the Board "determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies with respect to the procurement and production of such commodities, including the financing thereof." Executive Order No. 9280 provides that "any provision of any executive order or proclamation conflicting with this Executive Order is superseded to the extent of such conflict."

In order to clarify the respective functions of the Secretary of Agriculture and the Board of Economic Warfare, to avoid duplication and multiplicity of Government procurement agencies operating in foreign countries, and to insure the effective utilization of the existing foreign procurement organization and facilities of the Board and of the Department of Agriculture, respectively, the following joint order is issued:

1. The Secretary, or whenever so required by Executive Order No. 9280, the Secretary and the Chairman of the War Production Board jointly, shall issue directives to the Board as to the quantities, specifications, delivery time schedules, and priorities of food and food facilities required to be obtained by public purchase in foreign countries for the war effort and the domestic civilian economy.

2. The Board shall receive such directions and be responsible for the initiation, preparation, negotiation, or amendment of any contracts, agreements, or arrangements necessary to fulfill such directives. In addition, the Board shall supervise and administer all food production programs under such contracts and agreements. The officers of the Board shall, insofar as practicable, without duplication of effort, consult with the officers of Commodity Credit Corporation regarding the method of procurement involved prior to the conclusion of any contract, agreement or arrangement establishing the method of procurement.

Commodity Credit Corporation, however, shall be responsible for transacting current spot purchases of food and food facilities abroad offered in the United States. Any spot offerings made abroad to the representatives of the Board shall be communicated by the Board to the Commodity Credit Corporation in the United States. Commodity Credit Corporation shall be authorized to execute purchase contracts with respect to spot offerings of food or food facilities from foreign sources for which no directive for public purchase has been issued by the Secretary, but shall first consult with the Board with respect to such purchases. Upon advice from the Board, Commodity Credit Corporation will suspend spot purchases of any foods or food facilities in specific countries pending the initiation or negotiation of contracts or agreements by the Board relating to such foods or food facilities.

3. Commodity Credit Corporation shall execute such contracts and agreements as may be negotiated by the Board hereunder for the Corporation's account and shall be responsible for the acceptance of delivery and for the disbursement of funds under such contracts and agreements, as well as the necessary accounting with respect to such disbursement, and the inspection, storage, handling, or disposition on and after delivery. The Corporation shall be guided by such policies as the Board may recommend for the coordination in foreign countries of warehousing and transportation plans and procedure.

4. The services of the Board's foreign field personnel shall be made available to the Corporation to such extent as the Corporation may request in the performance of its responsibilities hereunder. In order to avoid duplication of personnel, the Corporation shall, so far as is feasible, avail itself of the Board's staff in foreign countries.

5. All contracts negotiated by the Board for the procurement or development of food or food facilities (as these terms are defined in Executive Order No. 9280) in foreign countries shall be negotiated for the account of Commodity Credit Corporation except, however, the Board may procure food or food facilities for the account of the U. S. Commercial Corporation or other appropriate agency in areas that may be agreed upon or in instances where the primary purpose is not the procurement of food for human, animal, or industrial uses.

6. With respect to any foreign procurement of wool, cotton, sugar, or other food produced in the United States, the Board of Economic Warfare and the Commodity Credit Corporation shall collaborate in determination of all policies and, insofar as practicable, the Board shall consult Commodity Credit Corporation



regarding terms of contracts, which policies or terms, if adopted with respect to foreign procurement, might affect the domestic procurement of such commodities.

CLAUDE R. WICKARD,  
*Secretary of Agriculture.*

H. A. WALLACE,  
*Chairman, Board of Economic Warfare.*

FEBRUARY 10, 1943.

[F. R. Doc. 43-2233; Filed, February 11, 1943; 10:58 a. m.]

8 F. R. 1897 of 2/12/43.

### EXECUTIVE ORDER 9322

#### CENTRALIZING AND DELEGATING AUTHORITY WITH RESPECT TO THE PRODUCTION AND DISTRIBUTION OF FOOD

By virtue of the authority vested in me by the Constitution and the statutes of the United States, particularly by the First War Powers Act, 1911, as President of the United States and Commander in Chief of the Army and Navy, and in order to assure an adequate supply and efficient distribution of food to meet war and essential civilian needs, it is hereby ordered as follows:

1. The Food Production Administration (except the Farm Credit Administration), the Food Distribution Administration, the Commodity Credit Corporation, and the Extension Service are hereby consolidated within the Department of Agriculture into an Administration of Food Production and Distribution to be under the direction and supervision of an Administrator. The Administrator shall be appointed by the President and shall be directly responsible to him.

2. All of the powers, functions, and duties conferred upon the Secretary of Agriculture by Executive Order No. 9280 dated December 5, 1942, are transferred to and shall be exercised by the Administrator. The Secretary of Agriculture shall, however, continue as Chairman of the Inter-Departmental Committee set up by section 7 (a) of Executive Order No. 9280<sup>1</sup> to advise the Administrator, and the Administrator shall become a member of such committee. The Secretary of Agriculture shall continue as a member of the War Production Board as provided in section 7(b) of Executive Order No. 9280. The Secretary of Agriculture shall continue as the American representative on the Combined Food Board.

3. The personnel, property, and records used primarily in the administration of the functions, powers, and duties transferred and consolidated by this order are transferred to the Administrator. So much of the unexpended balances of appropriations, allocations, and other funds available to the Department of Agriculture for the said purposes as the Director of the Bureau of the Budget shall determine shall be transferred to the Administrator for use in connection with the exercise of the functions, powers, and duties so transferred. The authority heretofore vested in the Secretary of Agriculture over personnel of divisions, bureaus, and agencies transferred to and consolidated under the Administrator is vested in the Administrator. The powers in respect to labor and manpower heretofore vested in the Secretary of Agriculture by the orders of the Economic Stabilization Director or the Chairman of the War Manpower Commission are vested in the Administrator. The authority heretofore

<sup>1</sup> Sec. 7 (a) of Executive Order 9280 reads as follows: "To advise and consult with him in carrying out the provisions of this Executive Order, the Secretary shall appoint a committee composed of representatives of the State, War, and Navy Departments, the Office of Lend-Lease Administration, the Board of Economic Warfare, the War Production Board, and such other agencies as the Secretary may determine to be concerned with the food program. The Food Requirements Committee of the War Production Board established by the Chairman of the War Production Board by memorandum dated June 4, 1942 is abolished effective as of the date of appointment of said advisory committee. The Secretary shall receive from the members of such advisory committee estimates of food requirements, and consult with such committee prior to the making of food allocations under Section 1 (c) of this Executive Order. Such committee shall perform such other functions in connection with the food program as the Secretary may determine. The Secretary may, in his discretion, appoint such other advisory committees composed of representatives of governmental or private groups interested in the food program as he deems appropriate."



vested in the Secretary of Agriculture under Title IV of Executive Order 9250<sup>2</sup> is vested in the Administrator.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, March 26, 1943.

[F. R. Doc. 43-4699; Filed, March 26, 1943; 3: 45 p. m.]

S F. R. 3807.

#### EXECUTIVE ORDER No. 9334

##### WAR FOOD ADMINISTRATION

Executive Order No. 9322 of March 26, 1943, entitled "Centralizing and Delegating Authority with Respect to the Production and Distribution of Food," is hereby amended to read as follows:

"By virtue of the authority vested in me by the Constitution and the statutes of the United States, particularly by the First War Powers Act, 1941, as President of the United States and Commander in Chief of the Army and Navy, and in order to assure an adequate supply and efficient distribution of food to meet war and essential civilian needs, it is hereby ordered as follows:

"SECTION 1. The Food Production Administration (except the Farm Credit Administration), the Food Distribution Administration, the Commodity Credit Corporation, and the Extension Service, together with all their powers, functions, and duties, are hereby consolidated within the Department of Agriculture into a War Food Administration, to be administered under the direction and supervision of a War Food Administrator. The Administrator shall be appointed by the President and shall be directly responsible to him.

"SEC. 2. All powers, functions, and duties of the Secretary of Agriculture (a) under Executive Order No. 9280 of December 5, 1942, (b) under Title IV of Executive Order No. 9250 of October 3, 1942, (c) which relate to labor and manpower under orders of the Economic Stabilization Director or the Chairman of the War Manpower Commission, (d) which relate to or which have heretofore been exercised through or in connection with the agencies, including corporations, consolidated by section 1 of this order, and (e) which relate to personnel, property, and records transferred by section 3 of this order, are transferred to and shall be exercised and performed by the War Food Administrator (in addition to the powers, functions, and duties conferred upon him by Executive Order No. 9328 of April 8, 1943); but the Secretary of Agriculture shall continue as chairman of the inter-departmental committee set up by section 7 (a) of Executive Order No. 9280, as a member of the War Production Board as provided in section 7 (b) of Executive Order No. 9280, and as the American representative on the Combined Food Board. The War Food Administrator shall be a member of the said inter-departmental committee, which shall be advisory to him. He shall also be alternate American representative on the Combined Food Board.

"SEC. 3. For use in connection with the exercise or performance of the powers, functions, and duties consolidated and transferred by this order, so much of the unexpended balances of appropriations, allocations, and other funds available to the Department of Agriculture for such purposes, as the Director of the Bureau of the Budget shall determine, and all of the personnel, property, and records used primarily in the administration of such powers, functions, and duties are hereby transferred to the War Food Administration.

<sup>2</sup> Title IV of Executive Order 9250 reads as follows: "1. The prices of agricultural commodities and of commodities manufactured or processed in whole or substantial part from any agricultural commodity shall be stabilized, so far as practicable, on the basis of levels which existed on September 15, 1942, and in compliance with the Act of October 2, 1942. 2. In establishing, maintaining, or adjusting maximum prices for agricultural commodities or for commodities processed or manufactured in whole or in substantial part from any agricultural commodity, appropriate deductions shall be made from parity price or comparable price for payments made under the Soil Conservation and Domestic Allotment Act, as amended, parity payments made under the Agricultural Adjustment Act of 1938, as amended, and governmental subsidies. 3. Subject to the directives on policy of the Director, the price of agricultural commodities shall be established or maintained or adjusted jointly by the Secretary of Agriculture and the Price Administrator; and any disagreement between them shall be resolved by the Director. The price of any commodity manufactured or processed in whole or in substantial part from an agricultural commodity shall be established or maintained or adjusted by the Price Administrator, in the same administrative manner provided for under the Emergency Price Control Act of 1942. 4. The provisions of sections 3 (a) and 3 (c) of the Emergency Price Control Act of 1942 are hereby suspended to the extent that such provisions are inconsistent with any or all prices established under this Order for agricultural commodities, or commodities manufactured or processed in whole or in substantial part from an agricultural commodity."

"Sec. 4. In addition to the powers and authority granted by this order, and in order to carry out its purposes, the Secretary of Agriculture and the War Food Administrator, to the extent necessary to enable them to perform their respective duties and functions, shall each have authority to exercise any and all of the powers vested in the other by statute or otherwise; and the exercise of any such power by either of them shall be deemed to be authorized and in accordance with this order, and shall not be subject to challenge by any third party affected by the exercise of the power on the ground that the action taken was within the jurisdiction of the Secretary of Agriculture rather than the War Food Administrator, or vice versa.

"Sec. 5. Any provision of any Executive order or proclamation conflicting with this Executive order is superseded to the extent of such conflict. All prior directives, rules, regulations, orders, and similar instruments heretofore issued by any Federal agency relating to matters concerning which authority is vested in the War Food Administrator by this order shall continue in full force and effect unless and until modified or revoked by orders or directives issued by or under the direction of the War Food Administrator pursuant to authority vested in him."

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, April 19, 1943.

[F. R. Doc. 43-6329; Filed April 23, 1943; 2:39 p. m.]

S F. R. 5423

### STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION

The CHAIRMAN. We have with us this morning Mr. J. B. Hutson, president of the Commodity Credit Corporation. He needs no introduction to this committee. We are glad to have you, Mr. Hutson. I understand you have a prepared statement that you would like to submit to the committee. The committee would be glad to have your statement without interruption, and, of course, we will desire to interrogate you later.

Mr. HUTSON. Before beginning on the prepared statement I would like to recall to the committee that 2 years ago when the Commodity Credit Corporation item was up before this committee there was also pending in Congress a bill, S. 262, relating to warehousing and storing and reconcentrating of cotton held by the Commodity Credit Corporation. That was one of my first jobs with the Commodity Credit Corporation, to study that proposal. I did give the matter considerable attention and I reached the conclusion that both groups, or both points of view, strange as it may seem, had a great deal of merit. I mean simply this, that the warehouse charges on cotton with the insurance rates that they were paying did appear to be relatively low and at the same time it appeared that the Commodity Credit Corporation was paying more in total than it ought to pay.

I would like to report just how we worked through that problem. A new contract was negotiated effective February 1, 1942, under which the warehousemen were not obligated to insure the Government-owned cotton and the storage payments by the Commodity Credit Corporation were reduced to the extent of the warehousemen's cost of insurance based on a \$50 bale of cotton. As you will recall, one of the causes of the squeeze which they were in was that cotton had advanced from about \$50 a bale up to \$85 and \$90 and some of the cotton even up to \$100 a bale. The risk of loss on the cotton from fire previously insured by the warehousemen was assumed by the Commodity Credit Corporation.

In the first year of the operation under this contract the saving to the warehousemen because of the insurance provisions was approximately \$600,000 and in addition the reduction in the storage paid by the Commodity Credit Corporation was about \$300,000 in excess of the fire losses. We adjusted the matter by giving them a proposition that allowed them somewhat more and at the same time cost us less and both of us gained because the insurance item on Government-owned cotton was a substantial item.

I would like to discuss some of the important activities of the Commodity Credit Corporation that have been undertaken in recent years. This is by no means an all-inclusive statement. I am going to touch upon certain questions that have been raised by the members of the committee and discuss some of the particular projects concerning which questions have been raised. I shall not today cover the lending operations with respect to the so-called basic commodities and a number of other questions of that kind which have been discussed before the committee previously. I shall be glad to discuss that on another day if the committee wants a review on it. I would like to say in that connection that the majority of the activities of the Commodity Credit Corporation are still devoted to the loans on our important domestic crops to the extent of something over half of all of the total operations. That can be seen from a copy of the last annual report which is before you, or a copy of this statement of loans and commodities owned which is attached to the copy of the report.

It has been generally recognized that in protecting the prices of farm commodities some losses would be incurred by the Commodity Credit Corporation. Provision has been made by Congress for an annual appraisal to determine the amount of these losses. Some now call such losses subsidies. Until recently the net income from governmental operations was called profits and the net outgo was called losses. Payments made by governmental agencies were sometimes called subsidies by those who did not approve of them and industries protected by tariff barriers often were said to be subsidized.

During the 8-year period from 1933 to 1941 Commodity Credit loans and purchases amounted to about \$2,000,000,000 with realized and appraised losses of about \$172,000,000. During the past 2 years loans and purchases have amounted to about \$4,000,000,000 with losses of less than \$25,000,000.

Mr. BALDWIN. Is that just on farm commodities?

Mr. HUTSON. These are farm commodities; yes, sir.

You will note this figure of \$172,000,000 for the 8 years as contrasted with the figure that Mr. Davis gave you of \$144,000,000 for a 9-year period. There was a profit from the operations of the Corporation of about \$28,000,000 during the year ending March 31, 1942, and that accounts for the difference in the \$172,000,000 and \$144,000,000.

I do not believe that the losses in relation to volume will be as great during the coming year as during the first 8 years of the life of the Corporation—no suggestion was made that such losses constituted "subsidies." As a matter of fact, they have been less during the past 2 years.

Mr. BROWN. Pardon me right there, but during those years of losses you have some commodities on which you have made profits, such as cotton, for instance.

Mr. HUTSON. That is correct; a part of it is appraised.



There are some who would call any releases of commodities at less than loan values plus carrying charges, and any sales at less than purchase or acquisition prices, subsidy operations. I do not object to this terminology so long as all of us understand it and are consistent in its use. However, if we accept it we should understand that practically all operations undertaken by Commodity Credit Corporation potentially qualify as subsidy operations, since whenever prices are supported above the market, whether through loans or otherwise, losses may be incurred. There has been no recent change in policy. Recent operations are in line with the early operations.

#### 1934-35 COTTON

In 1936, when the Corporation permitted cotton producers, upon payment of an amount smaller than that owing on loans to redeem '34 and '35 cotton held under loan, approximately 2,740,000 bales were released, which resulted in losses of approximately \$14,000,000.

#### EARLY CORN OPERATION

In the fall of 1938 the Corporation undertook a similar release program with respect to corn, under which producers were allowed to redeem 1937 loan corn upon payment of less than the amount due on the loans. Approximately 8,000,000 bushels of such corn were released with a loss of approximately \$1,000,000.

#### 1938 WHEAT

In the spring of 1939 similar action was taken with respect to 1938 loan wheat. Approximately 50,000,000 bushels of such wheat were released to producers, with a loss of approximately \$4,000,000.

#### 1937-38 CORN

Beginning July 1940, the Corporation released 1937 and 1938 loan corn to producers, upon payment of amounts smaller than the amounts due on loans. At the same time we also authorized extension of loans on farm-stored 1938 and 1939 corn below the amounts originally owed on such loans. Approximately 225,000,000 bushels of corn were released or resealed at a cost of approximately \$8,500,000.

Mr. SMITH. You mean at a loss.

Mr. HUTSON. At a loss of approximately \$8,500,000. These losses are all included in the earlier statement of losses to which I referred at the beginning of the statement.

At the time that these operations with respect to cotton, wheat, and corn were carried out they appeared to be in the public interest and the best way to meet the problems. In the minds of some people such operations would be considered subsidies.

#### LEGISLATION RELATING TO COTTON

By section 381 (c) of the Agricultural Adjustment Act of 1938, as amended, Congress prohibited the Commodity Credit Corporation from selling any of its stocks of cotton unless the proceeds of such sale were at least sufficient to reimburse the United States for all



amounts (including any price-adjustment payments) paid out by any of its agencies with respect to the cotton so sold. In addition, section 381 (c) limited sales of cotton by the Corporation to not more than 300,000 bales in any calendar month or more than 1,500,000 bales in any calendar year. In so prohibiting the sale of cotton below cost, Congress appears to have recognized the right of the Corporation, in the absence of statutory limitation, to sell commodities without reference to their cost.

Well-informed people differ as to the merits of this legislation with respect to cotton. Probably book losses are less than they would have been without the limitation. Yet stocks have accumulated and much of these stocks consist of the less desirable qualities of cotton. In the end losses may be greater than they would have been if we could have sold more of the less desirable grades without price or quantity limitations.

But regardless of the merits of the legislation I do not believe that anyone would propose seriously similar restrictions with respect to other commodities. Cotton can be stored for a longer period of time than most other farm commodities.

A cotton man told me yesterday cotton can be stored indefinitely. I would have said, "almost indefinitely" but he used the stronger phrase. Most other commodities cannot be stored indefinitely. As a matter of fact some of them cannot be stored for a very long time.

Stocks of some grain crops would accumulate until other grains were used up, if similar provisions were applied to grain. That is, if you had a similar limitation with respect to release of future grain crops you would find some of them moving out and others being held back. The net effect of this would be reduced production of livestock products because of the unbalancing of the ration of livestock.

#### PRICE SUPPORTS

Congress has from time to time directed that loans be made on cotton, corn, wheat, tobacco, rice, and peanuts at specified levels without regard to whether such levels were above market prices.

In 1941 when Congress extended the life of Commodity Credit Corporation a provision was included which carried the chairman's name and which is known as the Steagall amendment. This provides that whenever during the existing emergency it is found necessary to encourage expansion of production of nonbasic agricultural commodities, the funds of the Corporation shall be available through loan, purchase, or other operations so as to support the price of such commodities at not less than 90 percent of the parity or comparable price. As directed by this act of Congress, price supports have been announced at specified levels for certain nonbasic commodities the expanded production of which has been encouraged.

The commodities for which such price supports have been announced include hogs, eggs, chickens (excluding broilers and chickens weighing less than 3 pounds live weight), and turkeys; butter, cheese, dry skim milk, and evaporated milk; the 1943 crop of specified varieties of dry peas; the 1943 crop of specified varieties of dry edible beans; the 1943 crop of soybeans for oil; peanuts for oil; the 1943 crop of flaxseed for oil; the 1943 crop of potatoes; and the 1943 crop

of American-Egyptian cotton. Price supports for additional commodities will be announced from time to time in accordance with war needs. These price assurances are for the purpose of getting an expanded production of these commodities. At the time such price assurances are given for any commodity, the market price which will prevail at the time the commodity is produced cannot, of course, be known. All such price assurances, therefore, involve a potential subsidy.

Miss SUMNER. May I ask one little question right there? Are you permitted by law to make a guaranty of more than 90 percent of parity in order to get an expansion of production?

Mr. HUTSON. The statute provides not less than 90 percent of parity. The answer to your question is yes.

Mr. BALDWIN. Mr. Chairman, may I ask a question?

Mr. HUTSON, at this particular time what commodities do you think you would have to sustain the price on? Isn't your problem now keeping prices down and not to sustain them in most of the commodities—I mean, farm commodities?

Mr. HUTSON. I would say it is one of stabilizing prices, Mr. Congressman, rather than keeping them up or down. I think in war-times more than in any other times because of the uncertain situation that confronts people you would have wide fluctuations in price if you did not have such stabilization.

Mr. BALDWIN. Don't we have the O. P. A.? Isn't that their function?

Mr. HUTSON. That just hits it from the top. Your price could go down if you just had a ceiling without a floor. You would have your prices at some periods of the year when farmers were selling most of their stuff, cotton or wheat, even under present conditions, substantially below present loan levels. In that connection, last year in the case of wheat the market during the entire marketing season was below the loan level and it would probably have been some 10 or 15 percent less than it was except for the fact about 400,000,000 bushels of wheat went under loan and thus relieved that pressure from the market.

Mr. BALDWIN. Wasn't that, of course, because you had a large stock which the Commodity Credit Corporation owned?

Mr. HUTSON. If we had not owned it and the stock would have been in existence someone else would have owned it and it would have had an even more depressing effect on prices than to have had it held back with some legal limitations on it and in addition some policy limitations.

Mr. BALDWIN. Granting that that was the case in the case of wheat, what other commodities would you say are now affected similarly, except wheat?

Mr. HUTSON. Cotton. I think cotton would have been several cents per pound less last year. Tobacco. It has been necessary because the British withdrew from the market in 1939. I think during that year and during much of the years since you probably would have had a relatively low price at marketing time. Rye, barley, grain sorghums. I can mention some more that I think would have been lower, substantially lower, during the time the farmer sold it except for the lending operation. That is my judgment.

I was referring to one of the projects that was undertaken as a result, well, I would say, the first step of which was the protection of the price to the producers.

#### OILSEEDS PROGRAM

Pursuant to the Emergency Price Control Act, the Office of Price Administration has established ceilings on many farm commodities. In a number of cases, the price ceilings were established on the same commodities with respect to which floor or support prices have been established pursuant to the Steagall amendment, and in some instances, the ceiling prices established on products produced from agricultural commodities were such as to bring the prices of the agricultural commodity below the support level. A typical illustration of this is to be found in the case of oilseeds.

Of the group of commodities with respect to which price supports have been announced under the provisions of the Steagall amendment, I should like to discuss as a group the oilseeds commodities.

Immediately after Pearl Harbor, it became evident that imports of fats and oils would be drastically reduced and that lend-lease exports would need to be expanded materially. Before the war, we normally imported from 15 to 20 percent of our supplies and exported very little fats and oils. With the development of the war, we were faced with a reduction of perhaps a billion pounds of imports and an increase of  $1\frac{1}{2}$  billion pounds in exports, or a net change in our import-export position of about  $2\frac{1}{2}$  billion pounds.

In order to encourage production of domestic oilseed crops, we announced before planting time in 1942 that soybean prices would be supported at a level of \$1.60 per bushel to farmers; flaxseed prices would be supported at a level equivalent to an average price of about \$2.20 per bushel to farmers; and prices for peanuts for oil would be supported at an average price of about \$80 per ton to growers. In response to these support prices and other provisions of the war food program, soybean producers increased their production from approximately 106,000,000 bushels in 1941 to about 200,000,000 bushels in 1942; flaxseed production was increased from 32,000,000 bushels in 1941 to 41,000,000 bushels in 1942; peanut production was increased from 738,000 tons in 1941 to 1,252,000 tons in 1942.

As a result of ceiling prices placed on oil and oil products and reduced prices for meal, a situation developed where it was impossible for most soybean processors to pay growers the support price and process these soybeans and sell the products without incurring losses. A similar situation prevailed with respect to flaxseed and peanuts, but in these cases the discrepancy between the support levels and the product values was not so great. Also, in the case of cottonseed, the product prices prevailing in 1942 were such as to result in substantially lower prices to growers than had prevailed in 1941 and action was needed by the Government to support the price of cottonseed and give cottonseed producers protection comparable to that afforded the producers of other oilseeds.

In view of this situation, the following programs were developed with respect to oilseeds:

(1) In order to avoid a roll-back in the ceiling prices for crude oils with resultant reduced prices to growers for cottonseed and other



oilseeds, agreements were entered into with oil refiners under which they agreed to purchase oil from crushing mills at the current ceiling price, sell this oil to Commodity Credit Corporation at the same price, and then repurchase such oil at a  $\frac{1}{2}$ -cent-per-pound lower price. This made it possible for refiners to sell their products on the basis of the ceiling prices established for such products. Total losses in connection with these purchase and resale operations with respect to oil produced from the 1942 crops of cottonseed, peanuts, and soybeans are expected to total about \$15,000,000.

(2) Agreements were entered into with soybean processors under which they purchased soybeans from farmers or through country elevators at the support price, resold such soybeans to Commodity Credit Corporation at the support price level, and then repurchased the soybeans at lower prices based on the value of the products obtainable from the soybeans less a processing margin which was adjusted to the size of the plant and type of equipment used in the plant. It was necessary to adopt a variable processing margin in order to assure continuous operation of all available plants. It is estimated that under this program, possibly 100,000,000 bushels of soybeans will be purchased and resold by Commodity Credit Corporation at an average loss of 12 cents per bushel, or a total of \$12,000,000.

Just one thing more on the soybean operation. We had a larger crop of soybeans than could be processed by mills operating in the area in which soybeans were grown. It was necessary to bring in some mills that normally had not operated a full 12 months a year and keep them in operation during the full 12-month period in order to get crushed even a major portion of these beans in the Corn Belt. In addition, it was necessary to move some of these beans into the southern area, the area where cottonseed crushing mills are and crush them after the operators had finished the crushing of cottonseed. Some of these losses were incurred in keeping into production these less efficient mills in the area in which the soybeans were grown and in transporting the beans to the mills outside of those areas. And some of it was due to the fact that the support prices were higher than the processors, even the most efficient processors could pay, based on current ceiling prices.

Miss SUMNER. Could I ask a question? There was a little survey made in one county in my district in which they say the result was about 50 percent of the soybean crop was lost due to inability to harvest it and because of weather conditions. Would you care to comment on that as to whether it prevailed throughout the country where such considerable losses took place or whether it was merely a local occurrence?

Mr. HURSON. Some 10,000,000 to 20,000,000 bushels of soybeans were lost because of the exceedingly large crop in relation to the equipment available and the unfavorable weather conditions that prevailed during harvest time. It was a very poor year. I would not be surprised if there were not some local areas that lost as many as half of their beans. I doubt if it would be true for an entire county but there might have been some local community particularly in an area, Miss Sumner, where the frost hit very early and part of the time there was some delay because the farmer did not know how badly they were damaged by the frost and there was a little delay



there of 2 or 3 days at one stage of the season which was disastrous to the harvesting of the beans. The season was unusually short.

A larger quantity of beans than the ten or twenty million bushels that I mentioned, probably twice that many, remained in the fields over the winter but about half of them were not beaten down to the ground so much that they could not come in with a combine and pick them up. But a substantial part of them were in such condition that they could not be harvested.

Mr. SMITH. I do not quite understand your explanation of the total cost of your program of supporting the price of soybeans. You have 100,000,000 bushels of soybeans with an average loss of 12 cents a bushel, or a total of \$12,000,000. Then you brought in the factor of an extra cost for the bringing in of these marginal processors.

Mr. HUTSON. No; that was included in the total.

Mr. SMITH. That is included?

Mr. HUTSON. That is included in the total. Most of it went to the so-called marginal processors and for transportation.

Miss SUMNER. May I ask a question? This is probably elementary to everybody else, yet I do not know it. Do you keep your books on what a private individual would call a receipts and disbursements basis or on an inventory basis? It seems to me the result would be very different.

Mr. HUTSON. Well, I see statements made up both ways, Miss Sumner. We keep receipts and disbursements, of course. And we inventory once a year.

Miss SUMNER. In other words, when you make up your profit-and-loss statement, is that on the basis of inventories or is it on the basis of we only lost so much money last year and having gotten so much cash in?

Mr. HUTSON. It is made up essentially in this way: We take the outgo and the income during the year and inventory the commodities we have on hand at the end of the year and then arrive at a balance. This inventory is called an appraisal and was specifically authorized by Congress.

Miss SUMNER. In other words, you use cash on hand as an inventory?

Mr. HUTSON. That is right.

Miss SUMNER. That is on an inventory basis.

Mr. CRAWFORD. If you will refer to pages 18 and 19 of the report which has been given to us this morning by Mr. Hutson, you will find the balance sheet for 1942. I would say that balance sheet is based on an accrual basis.

Mr. RATHELL. That is correct. The balance sheet is on an accrual basis. Once each year we inventory the value of commodities so that our losses are determined on an inventory basis.

Miss SUMNER. Thank you.

Mr. CRAWFORD. That inventory is on a statutory basis?

Mr. HUTSON. Yes.

The CHAIRMAN. And a requirement for maintaining a minimum capital?

Mr. RATHELL. Yes, sir.

Mr. BALDWIN. That inventory, is that on a loan value or a market value?

Mr. RATHLELL. It is on cost value at the present time including 1 year's carrying charges or market value, whichever is lower. The market value used is the average for the 12 months preceding the valuation. That is the present basis of evaluation.

Mr. BALDWIN. If the market had risen during the year the value of the inventory would, of course, appreciate?

Mr. RATHLELL. If the market value had gone above the costs, it would be on the basis of cost.

Mr. HUTSON. I mentioned the increase in the production of flaxseed.

(3) In order to make it possible for flaxseed processors along the Atlantic seaboard, who normally use flaxseed imported from Argentina, to purchase domestic flaxseed at the support level and transport this flaxseed to mills on the east coast, Commodity Credit Corporation agreed to absorb a portion of the freight cost on the domestic flaxseed so handled, for which the required support prices had been paid. The transportation cost absorbed by Commodity Credit Corporation totaled approximately \$200,000.

(4) In the case of cottonseed, agreements were entered into with all cottonseed processors under which they were required to purchase cottonseed at not less than specified prices and to sell their products in accordance with the ceiling prices established by the Office of Price Administration and the minimum and maximum prices specified in the contract. Practically no losses were incurred by Commodity Credit Corporation under those contracts.

(5) Peanuts produced in 1942 were supported at an average price of approximately \$137 per ton for a quantity not in excess of the Agricultural Adjustment Administration marketing quotas and a price of approximately \$80 per ton for peanuts produced in excess of marketing quotas. On the excess peanuts sold for crushing, some losses were incurred but these losses were more than offset by profits on excess peanuts sold for edible purposes and for seed. Consequently, no losses were incurred with respect to 1942 crop peanuts except the loss of one-half cent per pound on peanut oil under the refiner agreements, and out of the profits made on excess peanuts sold for edible purposes and for seed, producers of excess peanuts are receiving a payment of \$10 per ton, which will bring their returns to an average of about \$90 per ton. Upon completion of the program it may be possible to make a further payment to producers of excess peanuts.

Mr. SMITH. May I ask at that point. Just when did that change take place so that these peanut growers were receiving \$90 instead of \$80 per ton?

Mr. HUTSON. At the time we made the announcement with respect to the price of \$80 per ton. There were some people from that area who pointed out to us that due to the fact that some of these peanuts might possibly be used for shelling that we could or might be able to pay higher prices. We indicated in connection with that price assurance way back around planting time in 1942 that if any profits accrued in the operation, that is if that situation prevailed and we sold it, why we would make additional payments to the producers. Those payments are now being made.

Mr. SMITH. That time was before the planting time of 1942?

Mr. HUTSON. That is correct.

The CHAIRMAN. In that connection, Mr. Hutson, the fact is, is it not, that so far as the producers of these peanuts were concerned the different uses to which these peanuts were put meant nothing to them. They were produced on the same land side by side, and with the same labor and the same effort.

Mr. HUTSON. That is correct, sir. That project gave us a great deal of trouble. I had so many letters on it, and I suppose many of you from that part of the country did too, that I had to finally say, because I honestly felt it, "I am inclined to think you fellows are right. I cannot explain to your satisfaction why one man gets \$137 a ton and another man \$80 or \$90 a ton." And we changed the program for the year 1943 and have a one price program for all peanuts in 1943 and expect to get a substantially larger acreage than was possible last year and we are certainly going to do a thing that is much more equitable in the minds of most of the producers.

The CHAIRMAN. Then there is this advantage to the Government in the policy you have adopted without an increase in the price. You are confronted with the situation where the farmer might prefer to feed his peanuts to livestock rather than sell them for oil.

Mr. HUTSON. That is correct.

The CHAIRMAN. So that the Government has an interest in the disposition to be made of those peanuts.

Mr. HUTSON. That happened in many cases last year, Mr. Chairman. I do not know to what extent they fed them after they were harvested, but a considerable acreage was not harvested because the farmer that had grown these peanuts for \$80 a ton because he did not have a quota or schedule was upset and they did not understand all of that too well. And his neighbor had a quota and got \$137 a ton. His neighbor started selling at \$137 a ton and all he was getting was \$80 a ton. He said, "There is something wrong"; and he just turned his hogs in and let them hog them off. We could not explain that to the farmers in the area, I would say, satisfactorily. We could go over and explain it as we have gone over it here but they would walk away from us and shake their head and say, "It doesn't sound right to me."

Mr. KUNKLE. What is the price you have established this year?

Mr. HUTSON. I think I have that. I will cover that in just a moment here.

In view of the continued heavy demand for edible oil and for oil meal and the need for still larger crops of oilseeds, 1943 support prices to growers have been increased to \$1.80 per bushel for soybeans; an average price of about \$2.63 per bushel to growers for flaxseed; and average prices of \$140 per ton for Spanish- and Virginia-type peanuts; and \$130 per ton for runner-type peanuts, whether used for oil or edible purposes.

There is one price level. Everybody gets the same price this year for peanuts produced.

Some of these peanuts will be sold for oil at substantially less under present ceilings than this \$130 or \$140, and some of them will be sold into the edible trade for slightly more than that, but there will be a net loss in the transaction.

Mr. BALDWIN. Is that because of the price ceiling on oil?



Mr. HUTSON. I do not know which blade it is that is cutting. Price ceilings do not match your support prices. You can have support prices too high or ceilings too low. They do not match.

Mr. BALDWIN. That is the thing that disturbs me. That is the thing I am particularly interested in.

Mr. HUTSON. I do not know which it is, whether the price ceiling is too low or the support price too high. We do not think we can get production with any lower support prices.

Mr. BALDWIN. I am not questioning that. The thing that disturbs me is what the result is going to be when your price ceiling is below your support price and just what that amounts to in the cost of oil to the consumer. Do you have any figures on that?

Mr. HUTSON. No; the way that is handled is this: The oilseed situation is one of the best to really get into what is involved in these losses which some refer to as subsidies.

Mr. BROWN. Why were peanuts put under control? Was there any surplus in the peanut crop?

Mr. HUTSON. Do you mean under the Price Control Act?

Mr. BROWN. Why were peanuts put under control?

Mr. HUTSON. Do you mean the marketing quota or price control?

Mr. BROWN. Under marketing quota.

Mr. HUTSON. Under the marketing quota?

Mr. BROWN. Yes.

Mr. HUTSON. Prior to the war when we were bringing in all of this oil from the Far East, which represented a substantial part of the total, it was one of the easiest things you knew to overproduce peanuts. There was no market except your edible market and you could always move your surplus into oil but move it in at 1½ to 2 cents a pound, and when you had a big crop of peanuts your market dropped down to 1½ to 2 cents a pound.

Mr. BROWN. I didn't think we ever had any surplus of peanuts.

Mr. HUTSON. Back in 1932, if you look at the history, they had a price there of \$30 a ton.

The CHAIRMAN. We had a worse fight over peanuts and peanut acreage than we did over cotton or anything else.

Miss SUMNER. In the last war they said they just took the policy of setting a very high price on hogs and a high price on wheat, you are probably familiar with that, apparently with the idea we had enough pork and bread so that nobody was going to starve. I am wondering how did they put those prices up when they had no organization like yours to do it? In other words, just saying, "We are going to do it with wheat," when there was still a certain amount or supply on hand. The policy was first announced. How did they keep that price up there?

Mr. HUTSON. Well, when you run into a situation in which you have a very short supply, which prevailed after the war, that is when you had a very high price for wheat.

Miss SUMNER. They started that after the war began.

Mr. HUTSON. I think you did have a widely fluctuating price there, you know.

Miss SUMNER. How is that?



Mr. HUTSON. I think you did have a widely fluctuating price there.

Mr. FORD. Wasn't the price \$2.20 for wheat?

Mr. HUTSON. That was the maximum price.

Miss SUMNER. And \$1.25 for hogs.

Mr. HUTSON. That was not the price on hogs.

Miss SUMNER. It was a very high price.

Mr. HUTSON. I do not have the exact figures.

Miss SUMNER. It was much higher than anything you normally consider for hogs. Immediately, according to my recollection, when we announced that at the beginning of the war there must have been a good supply, the same as wheat, how did they keep that price up there right from the first in order to drive people to producing hogs and producing wheat who ordinarily would be diversified and producing other things, like oats?

Mr. HUTSON. I think during the early part of the war you had a similar situation to what we have at this time, but we haven't had it to such a great extent as we would have and with widely fluctuating prices. I think we ought to keep this in mind in drawing parallels between this war and the last war. During the last war the most of our total energies that went into the war during any month was slightly under 25 percent. That is one-fourth of all our energies. And at the end of the war, during those last months, nearly 25 percent of all the productive capacity and manpower was going into the production of war goods. Now, we are already up to 50 percent, and you just have these dislocations to a much greater extent when you have a much greater strain on the economic system.

Miss SUMNER. Well, the reason I asked the question and the reason the question arose in my mind is that I am wondering whether your program as you have announced it is getting the supply of hogs that we need because pork is not available here in Washington, for instance, and whether you have set a high enough floor on that?

Mr. HUTSON. Well, the situation in my judgment in that area is about this: We are taking a substantial part of our meat for lend-lease. We have greatly increased our domestic demand for meat because of the increased purchasing power. We are producing more meat by far than we ever produced at any previous time. In the case of pork this year there are approaching something around 120,000,000 pigs and that compares with about 75,000,000 back just prior to the war. We have made all the increase that we can support with the feed we can produce in this country. It is going to be exceedingly difficult to maintain hog production at the level of this year unless we have some bumper feed crops. I do not know whether I touched upon what you had in mind in your question.

Miss SUMNER. Yes; you answer it, but I am still wondering whether there are other things you can do, you know.

Mr. HUTSON. I wish we knew what they were. The only key that I know to it really is that we need, and we cannot grow much more of the Corn Belt land in corn, but we need soybeans and we have got to grow some hemp to be sure and a number of other things which that land can produce and we have got to keep up the farms moderately well and keep hay and pasture. You do have some land in the Great Plains that perhaps is not being fully utilized in the production of grain and we are going to turn to them with the idea to produce all of the wheat

from the Great Plains country that we can with the hope that Congress will let us sell it as feed for livestock. You know there is some limitation from time to time in our appropriation bill on that point.

Miss SUMNER. It occurs to me there are all sorts of Victory gardens and there might be a sort of Victory garden idea of the hog business. In the old-fashioned days everybody had a little hog in the back yard. Have you thought of approaching that as a sort of general program?

Mr. HUTSON. It has some danger from the standpoint of hogs. They eat lots of feed. They eat lots of grain. I ran into a situation like this, where a man with a little project a little larger than a Victory garden bought a whole pen full of hogs. He thought he would help in the war effort. He had no feed to take care of them.

Miss SUMNER. He had too many.

Mr. HUTSON. I think you might be able to do something, but I don't believe you can substantially change the total output. It takes a lot of grain for hogs.

Miss SUMNER. My colleagues may laugh if they want to, but that is the old-fashioned way, isn't it?

Mr. HUTSON. Yes.

Miss SUMNER. And a lot of garbage is being thrown down the drain.

Mr. HUTSON. If anybody can produce the grain, in all parts of the country, for feed they ought to produce the meat. Sure, I agree. But it has to be the type of feed that can be produced. There are a lot of areas that are better suited to something else.

Miss SUMNER. My colleague said something about doubling the hog production or something like that. But certainly there are several approaches that can be made to increase that production. He said also that some hogs were not going to market and were being held back in prospect of future pork prices rather than bringing them to market now.

Mr. MONRONEY. With all of these terrific efforts you are making to increase oil production what is the reason the Department of Agriculture is adamant against permitting cotton growers increasing their acreage above this 10-percent allowance? My cotton growers say they can raise as much oil on an acre of land in cotton as you can in peanuts. The Department of Agriculture comes back and say, "Not so, because we have national figures showing X acres produce X amount of oil." The cotton growers come back and say, "Yes; but you are figuring on selected land that is used for peanuts. Taking it on the average type of land you will get more oil out of increased cotton production than you would out of putting that into peanuts."

Mr. HUTSON. I do not know that that view is strictly confined to some people in the Department. It is one of the questions. I think it is a national question concerning which the different people, the different cotton growers and the different Members of Congress from the cotton producing areas and others have different views. I have a feeling that there is some land in the Cotton Belt that it is going to be exceedingly difficult to utilize as effectively in the production of some other crop as it could be used in producing cotton. The averages are all against, however, the expansion of cotton. And I am not today well enough informed on this to say what the answer ought to be to that question.

Mr. MONRONEY. The Department of Agriculture takes the most advantageous averages because they take the land that has been growing peanuts and selected for that purpose and then throw those at the cotton growers and say, "Well, look at what you can do on an acre of land." That is selected land. It is not average land in the Cotton Belt.

Mr. HUTSON. I had a letter thinking along that line to reply to the other day. Someone fixed up a reply for me. They used these figures which you say are biased in the Department.

I read the letter and I thought they stretched the point just a little bit, so I wrote across the bottom, "I believe there is some difference in favor of peanuts. It may not be quite as great as these figures above would indicate." That was about my feeling after I had studied it. I think the figures that are commonly used are a little bit biased. I do think there is some difference in favor of the production of peanuts in most areas. I have a feeling there probably are some areas not suited to peanuts and where they could grow something else more effectively.

The CHAIRMAN. This consideration would enter into the policy, it seems to me. Admitting that you can get the same food value out of the production of cotton, your cotton production is not limited to the food value and you would accentuate in that situation the problem of your surplus cotton and that which is held by the Government and that which would be produced.

Mr. HUTSON. I would say this, Mr. Chairman, that, in my judgment, we are producing more pounds of protein and more total food during the year 1943 with the limitations we have on the cotton acreage than we would if we took off all limitations from the cotton acreage. What the situation will be in 1944, I do not know. But that is my judgment—that we are producing more total pounds of food in the area in which cotton is grown with some limitations on cotton this year than if we did not have limitations.

Mr. BROWN. And you should take into consideration it requires more labor to produce cotton than it does to produce anything else.

Mr. MONRONEY. And you also have to take into consideration the farmer who has been producing one crop and does not know how to produce anything else gets lost and bewildered when he takes on a new crop.

Mr. HUTSON. I think that is an awfully important point you just mentioned.

Mr. MONRONEY. I think, too, they lose a great deal of cotton acreage because down there they won't even shift acreage which is not used in one county over to a farmer that wants to grow a little bit more. Each county will lose a vast amount of cotton acreage simply because one farmer reduces or takes his land out of cotton and they won't transfer it readily to another neighboring farmer.

Mr. HUTSON. I think there is a great deal to look at before 1944.

Mr. MONRONEY. I think in the Department of Agriculture nobody cares about that.

Mr. HUTSON. Yes; they do, Mr. Congressman; they are greatly concerned about it.

Mr. MONRONEY. I haven't even heard of him. I wish I could get his first name. I am just passed back and forth.



Mr. CRAWFORD. Don't you agree with my views to the effect we have no surplus cotton, so far as quality and staple cotton is concerned?

Mr. MONRONEY. Absolutely, and there is going to be a shortage before long on cotton.

The CHAIRMAN. I want to hear the report from Mr. Hutson. That is not the report I got on cotton. I am inclined to the same line of thought you had, if I understand what Mr. Hutson said about stocks of cotton on hand.

Mr. CRAWFORD. I am not talking about the number of bales.

Mr. MONRONEY. I am talking about lint.

The CHAIRMAN. I know what you are talking about exactly, cotton for which there is a demand and which people want to use, cotton of the right quality.

Miss SUMNER. Are we going to grow any other crop on which there will be a surplus? Is there going to be a surplus of wheat or is there going to be a shortage?

Mr. HUTSON. There will be a surplus of wheat for bread and for export. I don't think it is possible during a period of war to produce too much food.

The CHAIRMAN. Now, Mr. Hutson, you do not intend that as an answer to my question?

Mr. HUTSON. I beg your pardon?

The CHAIRMAN. You did not intend that as an answer to my question about cotton?

Mr. HUTSON. No; I was talking about food, and about producing too much food. I thought we were talking about that. Is this on cotton?

Mr. CRAWFORD. Yes; that is my question.

Mr. HUTSON. I think it is not so much a question of having a surplus in these times when you have such a great strain on the economic system and I am not worried too much about a surplus in any line during the war. I am concerned that by producing more of cotton or tobacco, and possibly there are some others, we will produce less than we need of something else and the justification for the limitations for the year 1943 on the acreages of these crops is the need for other things and not being afraid of having too much cotton and tobacco. We happen to be in a very comfortable position with respect to cotton. True, there are some grades and staples of cotton that are difficult to get. If you did not have any limitation of cotton acreage you might not get a great deal more of those. They might get more than they could harvest, and the cotton would deteriorate some and you might have some other factors which do not enter into and do not offset what you are trying to do. But it is the need for other things rather than being afraid of a shortage during the war period. There is a great need for fats, oil, feed, and food.

Mr. MONRONEY. I am not asking the taking off of the restrictions. I think we ought to treat this thing as the Ten Commandments or something down there. They are trying their best to keep out of production acreage that could be used for cotton.

Mr. HUTSON. I feel just like you. There are a lot of people down there in the year 1943 who we probably will not get to grow these peanuts, and soybeans, and many feed crops, and if we did not have



limitations on cotton they would grow that. That is a real problem. How many there may be I do not know, but no doubt a lot of small farmers that would plant a larger acreage of cotton will not plant much of anything else. I think there is something in what you say there.

Mr. BARRY. On these ceiling prices which you think are too low, oil products, soybeans, and so on, do you ever discuss that with the Price Administrator or argue about it?

Mr. HUTSON. I would not say we argue about it. We discuss it and spend hours discussing it.

Mr. BARRY. What is their attitude?

Mr. HUTSON. Well, I think that it is an awfully complex question. When you start in to get a new source of oil you have new uses of oil and I think you can justify absorbing some losses in this field much easier than you can in some other fields because it is like opening up a new mine which is a high-cost mine. Are you going to reflect all of that in the increased price of food or are you just going to reflect certain points in the increase. It would be several times the necessary cost to get the increased production that you would have to go into if you do this particular operation regardless of what your decision is on the over-all subsidy. You would run into this particular situation. I think oilseeds are a good example. In the greatly expanded production you have got to bring in a new area and new products for oil in which you have a big change in the over-all price or you are going to absorb some losses.

Mr. BARRY. Would you be in favor of raising the ceilings?

Mr. HUTSON. Well, from an operating standpoint my problem would be much simpler because when you undertake one of these operations I expect I have suffered as much in getting them going as any person in this country because they are generally complex and they are generally difficult to explain and certainly that is true of the operating problems. I am not speaking about the administration and the policy problem involved. They do not want inflation. You have to have a ceiling at some point.

Mr. BARRY. You have to have a ceiling at a fair point.

Mr. HUTSON. I beg your pardon?

Mr. BARRY. I said you have to have a ceiling at a fair point to encourage production.

Mr. HUTSON. Well, it is a broad question of policy. Let us go into the soybean country and consider some mill operations. There have been a lot of developments in crushing of soybeans in recent years. They have some very efficient mills which are taking out practically all of the oil from the bean. Then they have a lot of other mills that will leave maybe half of the oil in the bean. Now, you have a tight steel situation. What you do in normal times is produce more of these efficient mills. But you cannot do that. You have got to use what you have and you have to move some beans to the South to the cottonseed mills. It is easier to haul beans than it is to get the equipment and build the mill. There you get a lot of irregularities, peaks, and valleys in it and you level it off at some point and say we will absorb some loss in it. That is really what is involved.

Mr. CRAWFORD. May I ask a question on cotton. Your inventory sheet shows a total of 3,428,729 bales on which loans have been made

and about 3,340,901 bales of cotton owned by the Commodity Credit Corporation as of March 31, 1943. Do you have any kind of analysis as to the staple grades and quality of those bales?

Mr. HUTSON. Yes, sir; we can supply you that if you want it. It is rather a large statement and I would like to talk to you or the chairman about it before I put it in the record.

Mr. CRAWFORD. Talk to the chairman and if it is agreeable to him can you supply that?

Mr. HUTSON. Could we supply for the record a statement showing the grades and qualities of our owned and loan stocks of cotton?

Mr. RATHELL. Yes.

The statement requested appears on page 165.

The CHAIRMAN. The committee will take a recess until 3 p. m. this afternoon.

(Whereupon committee adjourned to 3 p. m.)

#### AFTERNOON SESSION

(The hearing reconvened at 3 p. m.)

The CHAIRMAN. I am sorry about the delay, Mr. Hutson. You may proceed, Mr. Hutson, with your statement.

#### STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION—Resumed

Mr. HUTSON. I next want to discuss the sale of wheat for feed. It is important that we obtain the most efficient use of the available supplies of feed if we are to avoid serious shortages of food for military purposes, civilian needs, and for our allies. Our total feed stocks are about the same as they were a year ago. But production of all kinds of livestock has been increased by 10 or 12 percent. In order to make adequate supplies of food available, it appears necessary that we sell wheat to the livestock producers for feed at prices that encourage livestock production. Under the feed-wheat program, about 181,000,000 bushels of wheat have been sold. Congress has specifically stated the conditions, both as to quantity and price, under which these sales are made.

Although the losses on these operations are substantial, I believe that they are in the public interest and in the end will result in a net saving in governmental expenditures.

We are selling now at the rate of better than 1,000,000 bushels a day. I think that you had a bill in the Congress with respect to 100,000,000 bushels of wheat a few weeks ago.

The CHAIRMAN. It was 125,000,000 bushels.

Mr. HUTSON. The first was, but it was increased by legislation.

As to the grain-alcohol program, in January 1942 the Commodity Credit Corporation in cooperation with the War Production Board, the Office of Price Administration, and the Defense Supplies Corporation inaugurated a program for the sale of Government-owned stocks of corn and wheat to distillers to be used in the production of industrial alcohol.

Under this program, wheat is sold to distillers for making alcohol for use in the production of munitions and synthetic rubber. Wheat

is being sold delivered at prices ranging from 80 cents to \$1.05 per bushel.

Now, of the operations that we are engaged in at the moment, the heaviest losses are in these two items that I have just mentioned, that is, the heaviest book losses. We make loans on this wheat at 85 percent of parity, and we still have large stocks in the country. We need to continue to produce large quantities of wheat, it is the one big source at which we can secure and expand the production of feed.

There is much of the Great Plains country that will not produce anything much, or anything so well as it will produce wheat. There is a great deal of the Corn Belt that is adapted to the production of soybeans, and to the production of other commodities. It seems advisable to turn some of the land in the Corn Belt to the production of soybeans, and to some extent the canning crops, and produce an increased quantity of wheat in the Plains country, and maintain effective, if we can, livestock production at the present levels.

I think that that type of operation is fully justified and the conditions under which these sales have been made have been determined by Congress.

Mr. TALLE. Do you fear the return of the so-called Dust Bowl from the cultivation of the Great Plains?

Mr. HUTSON. That gives us, of course, some concern, remembering what happened after the last war. We are getting larger yields now than it was possible to get 20 years ago. We hope to be able to get some increase in the production of wheat without going as far on the acreage as we did the last time. We hope that we can do both; we hope that we can find that balance in which we can maintain enough grass there to keep out of a dust-bowl situation and at the same time produce increased quantities of wheat.

We are admittedly taking a little chance when you have a great big expansion, but the weather will be the deciding thing, along with the action that is taken with respect to increased wheat production.

In connection with this same program there has been a new development in granular flour. We have been short in protein feed in many parts of the country.

Some of the distillers had some difficulty in using wheat in making industrial alcohol. An arrangement has been worked out with the flour millers under which they take off about 40 percent of the kernel, the protein part of the kernel, and sell that as a feed supplement, leaving about 60 percent of the starch part of the kernel to be used in making alcohol. As you know, alcohol utilizes the starch part, and that is another way of augmenting our total feed supplies.

From time to time the Commodity Credit Corporation has been requested to assist in meeting emergency situations and inaugurating special programs. It is our policy to terminate such emergency programs at the earliest practical date. Some of these special programs will be described.

The Corporation instituted a program in connection with the processing of hogs on behalf of small packers who were being squeezed by the rising prices on hogs. This program has now been discontinued.

I think that it was about 8 or 10 months ago that it looked as if some of the packers, the small packers, would not be able to continue



to pack hogs, and conditions were specified under which a purchase and resale would be made. I think that the total amount of claims that have been or will be filed under this program will not exceed \$1,500.

The CHAIRMAN. Was that \$1,500

Mr. HUTSON. The figure I mentioned was \$1,500.

Mr. FORD. Did you buy a shoat?

The CHAIRMAN. Did you buy a ham? The shoat would not cost that much. The ham might.

Mr. HUTSON. What happened was either through some advance in the ceiling prices or because hog prices declined shortly after the program was announced. Not very many took advantage of the offer.

Miss SUMNER. Could the witness give us a total of the amount of losses that you have taken due to the fact that ceiling prices were, as in that case, too low?

Mr. HUTSON. It is pretty difficult to say when a loss is taken, because the ceiling price is too low.

Miss SUMNER. There in that case, that was clearly such a case?

Mr. HUTSON. That is contrasted with other factors, when you say the market would be too low. I will do the very best I can on that.

Miss SUMNER. If it is too much trouble, don't, but I think it would be interesting in connection with this subsidy program.

Mr. HUTSON. I will do the best I can on that to try to get you something.

The CHAIRMAN. Tell us some more about that \$1,500. How much of it went for personnel and how many places did you visit and how many places did you inspect and how many quotas did you apply that remedy to? Let us get that whole picture. I am a little bit interested in that.

Mr. HUTSON. I do not know, it would be very small.

The CHAIRMAN. Do you not have a way of knowing?

Mr. HUTSON. No; it was handled in connection with other work. Here is about what was done.

The CHAIRMAN. Where did you spend that \$1,500?

Mr. HUTSON. I will be glad to put that in the record. This was handled in cooperation with another agency. I will tell you what was done.

The CHAIRMAN. Who was the other agency, the Federal Reserve System?

Mr. HUTSON. No; another agency of the Department of Agriculture.

The CHAIRMAN. Let me ask you, do you know anything about plans now to bring the Federal Reserve System into the financing of subsidies and other arrangements incident to the program such as you are discussing?

Mr. HUTSON. I do not.

The CHAIRMAN. You do not know anything about that?

Mr. HUTSON. No.

The CHAIRMAN. Did you set up a separate agency on that \$1,500?

Mr. HUTSON. That was in connection with an offer made by the Commodity Credit Corporation and administered by the Food Distribution Administration. The offer was something like this:



When the price of hogs is above a certain stated level purchases would be made at that level and resold at a stated lower level.

As I recall, prices of hogs dropped pretty quickly to the lower level and only one or two processors for a period of about a month participated in the program, and it was just an open offer to prevent a squeeze for very small packers.

The CHAIRMAN. What were the prices involved in that transaction?

Mr. HUTSON. You mean the price level?

The CHAIRMAN. What was the market price and what was the ceiling price and what was the Commodity Credit price, and I want to ask you what the Federal Reserve had to do with it?

Mr. HUTSON. They had nothing to do with it.

The CHAIRMAN. They had not gotten into the picture at that time?

Mr. HUTSON. No. I will see if I have a fuller statement. I will have to supply a statement on that. I have gone about as far as I can. I would have to correct the figures if I gave you some figures, so I will supply a statement for you.

Mr. BALDWIN. You did not have to set up a new agency?

Mr. HUTSON. It was a few hours of someone's time to write the thing, and audit the voucher when it came in.

Mr. MONRONEY. It is the same organization that handled the meat.

Mr. BARRY. It was simply a problem of selling it back, it was just another commodity that you handled.

Mr. HUTSON. That is right. To be perfectly frank, I want to get the thing before the committee that the committee is interested in.

(The statement is as follows:)

The 1942 packer subsidy program was announced on September 17, 1942, and was intended to relieve small packers who were subject to the price squeeze due to fixed ceilings on pork and advancing hog prices. The method of operation was to be briefly as follows:

Any packer who killed less than 250,000 hogs in 1941 and who could demonstrate that he was in so acute financial condition that he could not continue to process hogs unless he participated in the subsidy program was eligible to apply. Participants in the subsidy program were required to contract with the Federal Surplus Commodities Corporation for the delivery of up to 60 percent of their pork production. The prices paid for the pork would be the same as those paid for regular purchases by the Federal Surplus Commodities Corporation. However, on all pork sold to the Federal Surplus Commodities Corporation under this contract an additional payment of 25 cents per hundredweight on the equivalent live purchase weight would be made by the Federal Surplus Commodities Corporation whenever the average price for barrows and gilts at the seven principal markets would exceed \$13.50 per hundredweight by a full 25 cents. Thus, if the price at the seven markets were \$13.75 per hundredweight, a payment of 25 cents per hundredweight would be made on the equivalent live weight of the pork sold to the Government. If the hog price at the seven markets were \$14, a payment of 50 cents would be made, and so on.

On September 29 an application form was mailed directly to approximately 125 small packers. In addition, the American Meat Institute and the National Independent Meat Packers Association mailed applications and other informative material to the members of their organizations.

Seven meat packers made application for participation in the program. Two of the applications were incomplete and one was turned down because it was from a nonfederally inspected plant. Four applications were approved, namely, Schaffner Bros. Co., Erie, Pa.; Wilmington Provision Co., Wilmington, Del.; Louisville Provision Co., Louisville, Ky.; J. and F. Schroth Packing Co., Cincinnati, Ohio.

Schaffner Bros. Co. and the Wilmington Provision Co. signed contracts to process meat for the Federal Surplus Commodities Corporation. Upon receipt of the "Notice to Process," however, the Wilmington Provision Co. terminated its

contract as provided in paragraph 2 (e) thereof. Schaffner Bros. Co. complied with the "Notice to Process" and subsequently delivered 118,687 pounds of frozen and cured pork and 42,500 pounds of lard to the Federal Surplus Commodities Corporation. The contract with Schaffner Bros. Co. was terminated by the Government on or about December 20, 1942. Payment to this company on the contract under the pork purchase program, which also represents total payments under the program, amounted to \$322.82.

This contract, in fact the whole program, was terminated in December 1942 because the program had been intended to continue only during the early fall when hog runs are light, and as hog prices fell in December, continuance of the program was no longer considered necessary.

milk in New York, Chicago, and the Duluth areas, and more recently in the Baltimore, Philadelphia, and Washington areas for the purpose of maintaining milk production. The cost of these programs to date is \$2,500,000. All of the early programs, those in New York, Chicago, and Duluth, have been discontinued. They are still in effect in Washington, Baltimore, and Philadelphia areas.

Mr. FOLGER. They were put in recently?

Mr. HUTSON. Yes, sir.

Mr. GAMBLE. Why did you discontinue them?

Mr. HUTSON. We were able to get some adjustment in the ceiling price that made the adjustment no longer necessary.

Mr. GAMBLE. That milkshed up around New York is fairly well standardized, is it not, right now?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. May I ask a question there?

You say that you were able to get an adjustment of the ceiling price. What did you mean there?

Mr. HUTSON. I meant that O. P. A. adjusted the ceiling prices.

Miss SUMNER. You mean, raised it?

Mr. HUTSON. That is right.

Mr. CRAWFORD. I am assuming that you want to make a statement here before we start interrogating so I have passed over about 50 questions that I want to ask you.

Right here you have really opened something that I am not going to press at this moment, and later on, if I can get the time, I want to go back and ask you some questions on that point, because if at one spot you can get an adjustment in the ceiling price which lifts you out of the bottle, and makes it unnecessary for you to pay subsidies, that really gets down to the whole meat of this program so far as I am concerned.

Mr. BALDWIN. Perhaps if Mr. Hutson would answer my question of this morning, perhaps it would answer the whole thing.

It was generally applied, not only to milk, but also went into the subsidizing of canned products, canned food products.

Mr. HUTSON. I believe that I am going to touch on that a little bit later.

Mr. BALDWIN. The point I wanted to bring out and ask you was this:

This subsidizing of those food prices, for instance in the Baltimore milk area, your subsidy price of 35 cents a hundred would mean about a cent a quart per day and figuring it 2 quarts a day on the average family is a right liberal consumption, you mean 60 cents a month for the average family.

Now, in Maryland you subsidized the tomato grower \$4 a ton.

Now, figuring that and trying to get the point I am making, in figuring the \$4 per ton of canned tomatoes, that such a small percent, of 1 cent a can, that buy, the consumer, and I think that that will answer Mr. Crawford's suggestion, that the actual money saved per family by this subsidy program is so small but in the aggregate large, and it is the meat of the whole hearing, practically, on this bill, as to whether or not the policy of the Commodity Credit Corporation is going to continue the subsidizing of food products and manufactured food products, or that they are going to be borne by the consumer.

Now, I just want to bring out Mr. Davis' statement yesterday, which I think alleviates any necessity for subsidy, when he went into the total income of the Nation, was 140 billion dollars, and existing price level supply of goods that we have on hand about 82 billions, about all we can spend for consumer goods without having a substantial rise in prices, and that leaves on any estimate of this sort, you have got to be willing to take a billion dollars or so here and there because after all they are estimates and that leaves about 42 billion dollars which you might say are available for savings, and under savings I would include insurance payments, normal payments, and reduction of debt and what people are now investing in Government bonds.

Saying that that type of savings is 25 billion, that leaves 17 billion dollars loose in the economy, much of which is in the possession of people who want to spend it. Many of them have never had that much money to spend before in their lives.

Now, Mr. Davis said that there is 17 billion of that kind of money, at a time when we have the highest income in the history of our country.

Now, we can only raise a certain amount of money by this tax bill and by this subsidy program, by his own admission, you are not taking that extra billion from the 17 billion which he says is inflationary, because we cannot freeze it and you are increasing the public debt a billion dollars at a time when the consumers of the country have more money, and by his own admission than they have ever had before.

Now, your actual cost per family on all of these subsidies are ridiculously small. I am not questioning the fact or the propriety of your base price for farm commodities to insure production, but there is a question here involved of whether you want to cooperate with the O. P. A. in letting them set ceiling prices, lower than your guaranteed price to the producer, in order to keep your cost of living down, which, if you work it out in dollars and cents for the average family, would be ridiculously small, and further increase our national debt by a billion dollars, because that has to come out of the tax money instead of coming out of, a billion out of the 17,000,000,000 which Mr. Davis admitted yesterday should have something done with it.

And if the O. P. A. would cooperate with the Commodity Credit Corporation in all of these items, such as Mr. Crawford brought out they did in the New York market, there would not be any need for these subsidies; is that right?

MISS SUMNER. While we are on this point, could I take 2 minutes to read a statement into the record, and also to read into the record



an article by Walter Lippmann in the Washington Post, May 6, 1943, and also one from Time, the business and finance section from last week in Time.

The CHAIRMAN. You can incorporate it if you so desire.

Miss SUMNER. I want to read two pages.

Members who were on the Committee on Banking and Currency when we considered the first price-control bill in 1941 may recall that when we went into executive session I offered what amounted to an alternative plan by which the Price Administrator would be prevented from putting price ceilings upon luxuries or nonessential goods, non-essential goods and services being those which were not essential to keep individual citizens in good health for the duration, and the Price Administrator himself to be authorized to make findings of what would not be essential.

I took the position, you may remember, that both the Henderson and Baruch plan were objectionable because both involved and contemplated the fixing of a general over-all price ceiling sooner or later, the Baruch plan sooner than the Administrator could make adjustments for increasing costs and the Henderson plan later after the Administrator had built up sufficient organization to administer the general over-all ceilings.

The Henderson plan had the avowed intention of clamping down on every price that showed a tendency to get out of line.

This, I protested at the time, would inevitably act as a depressive against every price, including the price of luxuries. I contended that luxuries ought to be permitted to rise as high as the economic principle of supply and demand would permit.

An equally important objection was that in striving to keep prices down, the Administrator would probably discourage production of essential commodities. I advocated permitting luxuries to rise because I thought it would go a long ways toward holding down prices of essential things by making smaller the anticipated \$50,000,000,000 inflationary gap which, we were told, was going to press against and tend to increase prices. I argued that the pressure would be relieved if some of this money were siphoned off by permitting as much as possible of it to go for the purchases of luxuries at ever-increasing prices.

Today the \$50,000,000,000 of inflationary money, Mr. Eccles, president of the Federal Reserve System, told us is pressing against prices. Obviously individuals are buying many commodities in anticipation of further inflation which they themselves do not need at the moment, thus causing future shortages and increasing prices.

There is little apparent release for that pressure except in the area of Government bonds—which only wise and patriotic people buy—real-estate speculation and stock-security speculation, stock speculation being limited by the Securities and Exchange law and both stock and real-estate speculation being limited by capital-gains tax laws.

It seems equally obvious that more safety valves are needed. I still feel that if the Administrator would discard the over-all general price-ceiling idea and set aside as large an area as possible of goods which might be found to be nonessential this would be a salutary improvement on the present method. He could immediately find that



the following kinds of articles are nonessential and set them outside the province of price control:

Fur coats, jewelry, paintings, purses, hats, fiction literature, and so forth.

There are other articles which might also under some conditions be set aside, such as articles upon which there had been bead work, hand-painted work, and other fancy goods made out of articles allotted under priority system by W. P. B. for the purpose. A large part of the inflationary gap would, I think, thus be siphoned off through the established business channels where Government could get at it in taxes.

As it stands our tax program is not taking care of this money. We find ourselves not being able to reach this money in taxes because the tax bills are already unbearably heavy on salaried and white-collar groups so that some are reduced to one-half the standard of living they had before the war.

On the other hand, many have, under the present price-control system, twice or more as much for good living as they had before the war. The money of this second group is not taxed much. Much of the money of this group goes to black markets, some of them owned by people who are forced by the nature of their business to want to evade taxes and thus keep their markets secret.

In addition, the inflationary situation in many families arises from the fact that several members of the family are working and earning today where only one member earned before the war, and, of course, nobody wants a family joint income tax.

The plan I advocate does not force these groups to pay taxes. On the other hand, it would encourage them to buy bonds rather than things they do not need. It only says that prices of nonessential goods are not held down to tempt them and that if they buy nonessential goods the Government gets a chance to get the money back in taxes from established business.

Eight members of the committee voted for my proposal at the time.

The following articles from two former vociferous advocates of the Baruch plan, indicate an incipient public opinion in opposition to the present method.

Time magazine on May 17, 1943, in its business and finance section, says, under the heading of "Inflation":

#### SALVATION BY SUBSIDY

The administration this week rolled up its artillery in a last-ditch attempt to stabilize prices and wages, and to hold John L. Lewis.

Move No. 1 was announcement of a subsidy program, running as high as two billions per year, which would be used to hold down the cost of living. Of this amount, \$400,000,000 will be paid to processors of seven vital foodstuffs (beef, veal, pork, lamb, mutton, coffee, butter) in order to induce a 10-percent reduction in their prices.

Move No. 2 was the imposition of dollars-and-cents ceilings on most important foods in 150 major cities. These specific ceilings will take the place of the confused jumble of prices which resulted from previous freezing orders. From now on, in any given locality, there will be only one maximum price for canned grapefruit juice, for instance. Since this price will be widely publicized, it should be easier than it has been in the past for housewives to help the Government enforce price ceilings.

*No steering gear.*—Both moves were taken with the full blessings of President Roosevelt, Economic Czar James F. Byrnes, and Price Czar Prentiss M. Brown.

Both were aimed to head off John Lewis' continued demand for a \$2-a-day raise for his miners, and to quiet the rumbles of dissatisfaction from other labor leaders, who claim that wages are being frozen while prices are allowed to run free. And both moves foretold the end of the price-fixing philosophy that has prevailed in Washington for the past year.

That philosophy (which was finally put into effect in March 1942) assumed that inflation can be stopped just by proclaiming that all prices are frozen as of a given date. But, as Columnist Walter Lippmann argued last week, the idea that a general price freeze will be effective is pure illusion.

In converting an economy from peace to war, some prices and wages must move if men and machines are to find their proper uses. (To try to run the United States economy with a completely frozen price system, Mr. Lippmann pointed out, is like trying to run a car without a steering gear.)

In trying to hold all prices in line, the administration ran the danger of successfully stabilizing inessential luxuries such as fur coats while failing to stabilize critical (and scarce) cost-of-living items. This is just what has happened. Since March 1942 general wholesale prices have advanced only 5 percent, as compared with a 14-percent advance in weekly factory earnings. But food prices went up by at least 16 percent (some food items doubled), which pushed the cost of living up 7 percent. This advance in food prices—the biggest single item in living costs—gave labor its most powerful arguments for breaking through the President's hold-the-line order of April 8.

*The British experience.*—Price Czar Brown is now concentrating attention on a few essential prices. In so doing, he has followed the example of Britain and Canada. Both countries tried general price-freezing regulations without too much effect. But both have brought critical cost of living under control to a far greater extent than in the United States. In Britain, for instance, the cost-of-living index has actually declined slightly during the past year, after zooming way up before the British subsidy plan took hold.

Britain has held the line through the shrewd use of subsidies. Under them the Government pays a premium for increased production without directly penalizing the low-income consumer (although other consumers, as taxpayers, pay in the end). The Ministry of Food buys up most of the supply of some goods, for instance, then distributes them at a loss. Subsidy has been relatively easy in Britain because she imports so many raw materials. Canada has also successfully applied the subsidy system to tea, coffee, oranges, and other staples.

*Congress objects.*—The United States is already paying some \$500,000,000 a year to subsidize marginal copper mines, sugar, coal, and petroleum transportation. But the farm bloc has always balked and is still balking at applying subsidies to foods raised in the United States because their payment in effect puts enormous power in the hands of the administration.

This week Congressmen threatened to sabotage Prentiss Brown's new program. But Brown was confident that he would succeed. First move will be to get the Reconstruction Finance Corporation to pay the subsidies. Second move will be to carry the fight to Congress itself and get outright appropriations. Prentiss Brown pointed out that a provision for subsidies is contained in the original Price Control Act.

*No panacea.*—If subsidies can be shrewdly applied to stabilize the cost of living, the administration will have begun to win an important home-front victory, for it will have done all that labor can ask for by way of holding essential prices in line.

But subsidies are no general panacea. They are complicated, and can be applied to relatively few items. They cannot possibly hold down the general price level, in which many items, notably luxuries, should perhaps be allowed to go up faster than the Office of Price Administration has so far conceded.

Nor are subsidies a substitute for a bolder tax program to trim purchasing power into line with the shortages of consumer goods.

In his column *Today and Tomorrow*, in the *Washington Post* of May 6, and under the heading "Frozen Minds and Frozen Prices," Walter Lippmann said this:

We are now at the reckoning for a most costly popular illusion; the notion that inflation can be prevented and a peace economy converted to a war economy by passing laws and issuing decrees that all prices and all wages are frozen as of some particular date. This doctrine, which is absolutely false and there-

fore entirely unworkable, has resulted in the freezing not of prices and wages but of our capacity for constructive action. It has prevented the development of practical measures for stabilizing the cost of living. It has raised unnecessary but insoluble issues between the farmers and the rest of the community, and between the wage earners and the rest of the community, and between farmers and wage earners.

Late in the day though it is, we cannot hope to go forward, and we must inevitably fall into even greater difficulty, unless the leaders of American public opinion are willing to reconsider and revise the fashionable but unnecessary theory upon which Government policy and most public comment are currently based.

The fallacy of the universal freeze becomes quickly apparent when we realize that it is a proposal to operate the most complex capitalistic economy in the world by removing the central mechanism of prices which regulates production and consumption. This is like removing the steering gear from an automobile. If the car is to be left standing in the garage, the absence of the steering gear will not be felt. It would be possible also, no doubt, for enough men to move the car around a little by pushing on one side of the car and then on the other. Or it might be possible to fasten the front wheels so that the car would move in a straight line. But without a steering gear, the car could not be driven rapidly on a winding road.

Now, when you make a decree that all prices and wages are frozen as of a certain date, the best you could conceivably hope for is to get exactly the same economic results that you were getting on that particular date. Everybody ought to go on working where he is, making what he was making, consuming what he was consuming on the day of the freeze.

But this is precisely what in wartime you do not want. You want millions of men to leave their jobs and go into the armed forces. You want millions of others to go into war industries. You want different goods manufactured, crops in different quantities grown. But under the theory of the universal freeze you cannot pay more for the new things you want than you paid for the old things you no longer want. You have suspended the inducements and the controls by which your capitalistic economy regulates alterations of supply and demand. But then you must not be astonished and pained if, having abolished the steering wheel, you cannot drive the economy effectively by the fiat of officials and the rhetoric of press agents.

The heart of our current confusion is our failure to see that we have two grand but distinct objectives: One is to promote production of the right commodities in the right quantities; the other is to distribute goods at retail in fair rations at stable prices. The universal freeze cannot achieve both objectives. To get production we have to provide the incentives of wages and profits. To stabilize the cost of living we have to insulate retail prices against the effect of these incentives. The uneconomic theory of the general freeze seeks to achieve these separate and contradictory objectives by the same device.

That is impossible. If we pay producers—the manufacturers, distributors, farmers, and wage workers—their costs and an effective profit, we puncture the retail ceilings. If we hold the ceilings, we are in trouble with the producers, and we get inadequate production, black markets, and an unending series of nasty disputes with the farm bloc and with organized labor.

In the present coal dispute, which may determine industrial relations in many other vital industries, there is no hope of a lasting solution unless we take direct frontal measures to stabilize the cost of living. Mr. Ickes and Mr. Lewis and the War Labor Board cannot settle the real problem because they are concerned with the production of coal. What we have to regulate is the retail price of food, and only as, when, and if we succeed in regulating the retail price of food, can we expect to keep wages level, to keep men working willingly and effectively. The central figure in the problem, therefore, is Mr. Brown of the Office of Price Administration, and it is upon the policy which he forms and the program which he adopts that the whole business hangs.

But Mr. Brown does not seem to have a policy and a program, and the reason seems to be that he is one of the chief victims of the collective delusion that the universal freeze is the universal panacea. Instead of fixing his attention on specific practical measures to keep retail prices level, he is driven by the delusion to think he can do this by freezing an altogether different set of prices; namely, those paid to producers as an incentive to produce. Yet he will never have a program until he recognizes the elementary economic truth that under the special



conditions of war, retail prices and producers' prices have to be separated, have to be treated differently, have to be insulated the one from the other. That is what war-price control means, and the failure to grasp this distinction is the root of the whole trouble.

Mr. FORD. You will know that furs and diamonds and two or three other of those luxuries have doubled in value; you know that.

Miss SUMNER. But my point is that when you have any price that gets out of line, that has a depressing effect. It is a threat that the icy hand will be clapped down if you go too far, and so it keeps the price down.

In other words, my theory is, "Give us inflation on nonessential goods and let us help pay the war through inflation of nonessential goods."

Mr. FORD. I saw an advertisement suggestion that they put a 50-percent tax on furs, so if they paid \$6,000 for a \$3,000 fur, they would have to pay a \$3,000 tax on it.

Mr. BARRY. Why do you not make it up with a luxury tax instead of inflated values?

Miss SUMNER. That is a long question. I do not think that you always get your tax for that. It is a little more difficult to collect your tax, and your income taxes on your established business, your Federal revenue collector has gone around there year after year, and he can catch what is happening a lot better than he can when he goes into a new system.

Mr. BARRY. You have got a tax on practically all of those, and perhaps it is not high enough.

Miss SUMNER. You have only got 10 or 15 percent of the present value. I do not say, take off that tax. I say, simply let it go.

The CHAIRMAN. If what she is talking about occurs there could automatically be an increase in the tax.

Mr. BARRY. Instead of having the customer buy air with that difference, why not let the Government get that profit?

Miss SUMNER. You would also increase your tax and you would increase your income tax. You would increase your excise tax and your income tax that way.

Mr. MONRONEY. In carrying that thought a little further, I wonder if it would not be possible to stimulate the manufacture of consumer goods in some instances, as also an anti-inflationary measure, insofar as it could be done without interference with the production of war goods?

I am not sure, for instance, that the restrictions which have been placed, many of them are necessary, of course, but that they are all necessary or they are necessary to the degree in which they are in force, and I feel confident if there were more goods on the shelves for people to be able to buy, you would also have something there.

Miss SUMNER. Now, you take in the dresses, there is a large field in dresses, and you go into the shop and you have a very cheap type of dress, and there must be a great many people in the country who do a little art work, a little bead work or embroidery work, and run the prices of those dresses away up, you never miss the employment in your warpower industries, and you would never miss the commodities because you are going to manufacture the dresses anyway.

But think of the money that you could get in your Treasury out of that, and you drive these people up in the higher brackets.



Mr. FORD. Unfortunately we cannot do that. That is a Ways and Means job.

Miss SUMNER. No; that is our job.

Mr. FORD. I am talking about the tax.

Miss SUMNER. You leave your tax system just as it is. You do not have to change your tax system.

The CHAIRMAN. What she has in mind would make the tax power automatic, the legislation that she has in mind would affect the price-control law.

Miss SUMNER. All I say is, let us have plenty of inflation in the nonessential goods.

Mr. BALDWIN. I do not think that the Commodity Credit Corporation subsidizes any luxury goods.

Miss SUMNER. I would not have offered it if I had not thought that this question of subsidies brings up the whole inflation approach here.

That is all that I have to say, Mr. Chairman.

Mr. HUTSON. Dairy animal conservation program:

In the fall of 1942, in some areas of the country, the prices of dairy animals——

Mr. SULLIVAN. Just a minute; you skipped cheese. Is there any reason for that?

Mr. HUTSON. No; I am sorry.

In December 1942, to maintain cheese production, the Corporation instituted a program on cheese involving a loss of  $3\frac{3}{4}$  cents a pound. The total cost of this program through April 30 of this year was about \$6,000,000.

Mr. SULLIVAN. That is a direct subsidy, is it not?

Mr. HUTSON. Well, I would say that is in the same category as these other projects that we have mentioned. It involves selling a product for less than you paid for it.

Mr. SULLIVAN. How much less?

Mr. HUTSON. Three and three-fourths cents. It is about 23 to 26 $\frac{3}{4}$ . I think that is the difference.

Mr. SULLIVAN. What time elapses between the delivery of the goods and the payment of the subsidy?

Mr. HUTSON. It is a contractual arrangement under which purchase and sale is made.

Mr. SULLIVAN. For the purpose of the record, I want to point out that the cheese factories in my State of Wisconsin objected to the subsidy program on general principles, but specifically on the fact that many of the small cheese factories, because they do not receive their subsidies in time, become involved financially, so I am interested in knowing what the delay might be in the payment there.

Mr. HUTSON. How much is it, Mr. Congressman?

Mr. SULLIVAN. What is the delay between the delivery of the goods and the payment of the subsidy?

Mr. HUTSON. I would expect about 3 weeks. I have not looked into it, and I have not had any complaints on it. Generally, if it is much longer than that, I hear about it.

Mr. BALDWIN. That gets back to the matter of policy. I think that the average person, if they ate 100 pounds of cheese a year, would be eating a lot of cheese, which would mean that your subsidy would only save them \$3.50 as an individual, in the cost of living.

Mr. HUTSON. I do not think that that is the principal point in these programs. So far as this type of program, these short-time emergency programs are concerned, they represent merely an attempt to meet a local production situation.

Take your case of this cheese that was mentioned. We had a price ceiling on cheese at 23 cents a pound. We could not get milk diverted from some other purposes, to get the quantity of cheese produced that seemed desirable at that price, and that was the purpose of it, to get some increased production in that particular product.

Mr. BALDWIN. You were competing with the man who wanted to prepare evaporated milk, the source of milk was going to the evaporated milk people instead of going into the cheese factories, and producing cheese.

Mr. HUTSON. That is one of the difficulties.

Mr. BALDWIN. On that basis you supplemented the ceiling on cheese, with a  $3\frac{3}{4}$ -cent subsidy.

Mr. HUTSON. That is the effect of it.

Mr. BALDWIN. Does that subsidy apply to all types of cheese?

Mr. HUTSON. No; just the Cheddar cheese.

Mr. BALDWIN. That is the cheese that is demanded or rather sought under the lend-lease program, is it not, the Cheddar type cheese?

Mr. HUTSON. Well, about half of this quantity will be purchased by the Army and Navy and lend-lease, and about half of it will go into civilian consumption. They needed an expansion in production because of this unusual demand on the part of the Army, and the Navy, and the lend-lease and we can say here is \$6,000,000 that has been spent but half of it is to be saved on the purchases on the other end.

Mr. BALDWIN. Do I understand you that this has been used as an instrumentality in stopping the flow of milk into other channels, so that you can get the quantities that you want for evaporated milk and cheese and, let us say, dried milk? Can you control that by the subsidy basis?

Mr. HUTSON. Yes; you can, within limits. You can have some control on your production of a particular product, without adjusting your ceiling. You could do the same thing by moving up the ceiling  $3\frac{3}{4}$  cents, and it would tend to accomplish the same thing, but you could not get the production at this 23 cents with the other prices as they were under the ceilings that existed and we were going to run short of that particular product, and probably have more than we needed of some of the other products, and that was the purpose of the operation.

Mr. KUNKEL. Do you sell to the Army at the ceiling price or at 26 $\frac{3}{4}$  cents on the cheese?

Mr. HUTSON. In this particular operation, they pay the 23 cents.

Mr. KUNKEL. They pay 23 cents?

Mr. HUTSON. Yes, sir; we do not expect to handle any new programs in this way, to be perfectly frank. We have later, in connection with the vegetable-canning crop, worked out a way under which we would not do that but in this particular project about half of this \$6,000,000 is saving to other governmental agencies.

Mr. KUNKEL. You might make a lot of money if you started in on this system that the Rubber Reserve Corporation and the R. F. C. are using, in which the Government pays 40 cents a pound for crude

rubber, and the general public pays 22½ cents a pound for it, in tires.

Mr. HUTSON. Well, we did have some rubber at one time but we have closed it out. We turned the rubber over to Rubber Reserve.

That is one very interesting thing. It was authorized by Congress and I think that you people would be interested in knowing, since you bring up rubber.

The best rubber in this country today is rubber that Congress authorized Commodity Credit to take in exchange for cotton. There were 600,000 bales of cotton exchanged for 90,000 tons of rubber prior to the war, and when the war came and there was a shortage, that was turned over to Rubber Reserve, and it was selected by the Army as one of their reserve supplies.

Mr. KUNKEL. You are not contemplating a two-price system, one for the United States Government and one for the individual citizen?

Mr. HUTSON. On the Cheddar cheese program, we buy the cheese from the producer on the equivalent of 26¾ and sell it back at 23, and we sell to the Army and for lend-lease at that price, just one price.

I will discuss just how we work it in the canning crops in just a moment. I believe it is about the second item below in my statement.

Mr. GAMBLE. What great harm would be had, if O. P. A. would increase 3¼ cents a pound and you would not need to do this? Who is going to be hurt?

Mr. HUTSON. I would rather somebody from the Office of Price Administration would discuss that with you. I can give you—

Mr. GAMBLE. I think that you could do it more intelligently than some of those down there who have it in charge.

Mr. HUTSON. I can tell you some of the things that they have to consider, but I think that you could also pass the same information on to me.

They do have some problems in moving one price up that causes another one to go up, and it looks like somebody has to say some time, "Well, these are fixed," and then you run into production problems.

That was the case in the milk order that we just left here, on this item of yours.

I will tell you just exactly what happened on that.

Hearings had been held with the producers in these three areas, Washington, Baltimore, and Philadelphia, and they had made a showing and had convinced the people who were charged with the responsibility of passing on the prices in these three areas, that their prices should be adjusted upward.

Mr. BALDWIN. I have not objected to your price. The point that I was making on that was that the same thing could be done with O. P. A. as was done in the New York market and let the consumer pay a few cents more a month, that it would cost him, instead of the subsidy coming from the Treasury.

Mr. HUTSON. Here was the situation that they were in. The President issued his "hold the line" order and immediately affected these three on which you might say tentative commitments had been made to producers, when the order was issued, "no more changes in price ceilings."

Were you going back to those people and let the supply of milk fall in these areas, or were you going to do the best you could to meet the situation?



We were advised to do the best we could to meet the situation and my job was to carry out orders. We are instructed in all cases of this kind, and I refer to this type of special project, which is related to production, to watch them with a view of their discontinuance when the conditions change.

That is, at the earliest practicable time. They are not permanent things, they are steps that are taken to keep production from being interrupted.

Mr. BALDWIN. Your program for the canned food industry, last year, I do not know about 1941, it will continue this year, it is a permanent program, and the only point I want to bring out is the fact that we are making a lot of to-do about nothing when it comes to the cost of living and the average family in these instances as to what it saves to each family, because you could not possibly save the average family in Baltimore more than 60 cents a month, if they had to absorb this instead of the Commodity Credit Corporation, which is not alarming, and which the public has been led to believe it would be if these prices were allowed to go up.

Mr. HUTSON. If you will multiply that enough times, of course, it would.

If this change was going to involve another change and start a whole series of changes, and if they could take some action that would stop this one, they could keep the others from taking place, and it might be justified in the end.

Mr. BALDWIN. Your subsidy is to the producer, and my contention is that the cost of living, the rise in the cost of living is not traced to the producer, it is traced to the various distribution channels and finally to the retailer whose ultimate increase is what raises the cost of living to the consumer.

Now, this Commodity Credit Corporation action is only so far as the producers are concerned. It does not enter up the line and now some of them are under the O. P. A. regulation but in all of your canned goods, I think if you could it would be worth while to break down and it could be gotten up, what it would save the average family a year in your subsidy program, and you would find it ridiculously small, in all of the products in which you are subsidizing them.

Mr. HUTSON. I think that that is right. I am in agreement with you, but so far as the total, as Mr. Davis indicated, despite all that has been said about the subsidy operations, he indicated that less than \$15,000,000 of Commodity Credit funds had been used up to date for that purpose.

Now on an annual business of better than \$2,000,000,000, that is a very small part.

Mr. FORD. Now, the figure of 2 quarts a month has been used.

Mr. BALDWIN. A day.

Mr. FORD. As an average, yes; but that argument does not mean anything.

Take a family of five or six children, their milk bill, if it only goes up a cent a quart, it means a lot to them, and in the various areas where there are large families that milk problem is a very serious one and now if you take it on the average it would not bother me or it would not bother you, or the average man with an adequate in-



come, but there are literally hundreds of thousands and millions of families in this country whose income has not gone up very much, who are white collar people, whose incomes are stable and fixed and they cannot get it, and every time you put a cent on milk or on bread or on anything else, you are affecting them in a large way, and it does not look like much in an individual case but in the bulk it does make a difference and it would break through and bring about a period of inflation or misery, one or the other.

Mr. BALDWIN. I cannot agree with you there.

Mr. FORD. I am taking the broad view, and you are taking the milkman's view.

Mr. BARRY. You have got to give Congressmen and bankers and everyone else, something on their milk bill, to get the poor man with five children, and if some arrangement could be made so that you would not have to cover the whole field to get at the hardship case, I would agree with you.

Mr. FORD. The hardship cases are much bigger than a great many people think it is.

Mr. BALDWIN. In cases—or in areas where you have cases like that, the relief agencies are still working and the children of the workers are being cared for.

Mr. FORD. They should not have to. There ought to be brains enough in this Congress to work out some equitable plan that would meet the situation approximately.

Mr. BALDWIN. If we have to subsidize them now in the year when we have the highest income in the history of this country, what is going to happen to them when they hit the low income?

You are going to take money out of the Treasury to buy them food.

Mr. FORD. We used to buy carrots for a nickel out in my country, and they are paying 15 cents a bunch for them now.

Mr. CRAWFORD. May I make an observation, my good friend from Maryland, that the flow of income for pay rolls alone this year—those on the pay roll, will exceed \$100,000,000—two and one-half times the national income of the Republican administration.

Mr. BALDWIN. In this same year we are going to put a billion-dollar debt on the Government to help feed them.

Mr. FORD. Well, just yesterday we passed a 29-billion dollar bill to the Navy, and next week or so we will pass a 30- or 60- or 70-billion-dollar bill for the Army, and that is all right, but contrast that with a billion dollars spent for the purpose of or in an attempt, we may feel, to break down this inflation spiral, and everybody goes into the jitters about it, and I cannot see the over-all picture, I cannot see where there is any weight to the matter.

Miss SUMNER. You do not think it is going to amount to just a billion dollars?

Mr. FORD. Suppose it is two billion?

Miss SUMNER. It is nearer 40 billion dollars.

Mr. FORD. This program?

Miss SUMNER. Yes; when they subsidize everything.

Mr. FORD. These subsidies are being limited within a fixed area, is that not true, Mr. Hutson?

Mr. HUTSON. That is correct.

Mr. FORD. And in emergency cases, and within that fixed area, and for emergency purposes they may spend \$1,000,000. When you compare that with what you are spending in other lines, if we save that \$1,000,000, all right, and as a result of saving it we may go into a spiral of inflation, and how many billions would that cost us?

Mr. BALDWIN. In line with Mr. Davis' argument yesterday he is worried about inflation because of the \$17,000,000,000 excess in consumer hands now that we cannot tax, and here we are going to let them keep it and take it out of the Government Treasury to give them another billion.

Mr. FORD. We are holding that in check now, but if you release that and let it go then you are going to have inflation. That is what he is worrying about, and that is what I am worrying about.

The CHAIRMAN. Now, you engaged in this type of operation in only—tell us again the communities.

Mr. HUTSON. These areas, we are talking about milk still?

The CHAIRMAN. Yes.

Mr. HUTSON. Washington, D. C., including Arlington and Alexandria, Baltimore; Philadelphia, including the suburbs around Philadelphia, and Wilmington, Del. Harrisburg was also in this. That is the Harrisburg area.

The CHAIRMAN. That is all?

Mr. HUTSON. Yes.

Mr. FORD. Now, one more observation.

Mr. HUTSON. There were some earlier programs in New York.

Mr. FORD. What were you objecting to about the subsidy? You want to put that cent on the general public?

Mr. BALDWIN. They are doing it in other sections, as Mr. Hutson told Mr. Crawford; in New York they had a subsidy, so they decided to raise the price ceiling to take care of that instead of the Government paying it.

Mr. FORD. That is what you want them to do?

Mr. BALDWIN. Yes. It should be a policy generally throughout the country, or else the consumer in one section suffers. My constituents are benefiting from this, but as a matter of governmental policy you certainly should be consistent with every group of people, and if you are going to make one section of the country pay the increased cost, why not let everybody pay it and let the Treasury out of the cost of subsidizing it?

Mr. FORD. Might it not be possible that there are some areas in which it would be impossible, if you let that thing go? They would have to ask enough so that you could not help putting out higher prices. You raised it a cent in New York, did you not?

Mr. HUTSON. At one time for a short period of time there were payments made of a similar kind in New York, Chicago, and Duluth for a few weeks.

Mr. FORD. What was the basic reason for doing that?

Mr. HUTSON. We had a similar situation at that time to the one that confronted us here. They had some problems of maintaining production in those areas.

Mr. FORD. Higher wages or higher food costs?

Mr. HUTSON. I don't remember the details, but that was several months ago.

Mr. FORD. But a situation could exist in the Baltimore area that would not exist in the Omaha area?

Mr. HUTSON. That is correct.

Mr. FORD. Because of different local conditions.

Mr. HUTSON. That is correct.

Mr. FORD. Now, you only say that we are getting a cent and we want the public generally to take that cent. That looks like good reasoning from a business standpoint. That looks sound. But I am wondering what the repercussions of that would be if you start on that and begin to raise all of these ceilings.

Mr. HUTSON. Well, I think that sometime the policy with respect to this kind of operations will have to be decided, all that has been done by Commodity Credit Corporation or any other governmental agency so far as I know, has been to take care of emergency situations where production was likely to be affected, and which would involve a whole string of happenings, if the change were made.

Mr. FORD. All right. We have got a problem now here in one case where we are trying to prevent inflation from prices breaking through ceilings, and that you are not interested in. What you are interested in is bringing in a volume of production that will meet a specific food situation.

Mr. HUTSON. That is correct.

Mr. FORD. And your method of doing it is the method that you are employing right now?

Mr. HUTSON. That is correct.

Mr. FORD. You are guaranteeing it at the time?

Mr. HUTSON. Yes, sir.

Mr. FORD. And for that reason I can't see why, in view of what Congress has heretofore said, why that should not be continued at the present time.

Now, in the Baltimore area, if a survey was made here, and it was shown that putting on of a cent a quart a day, or maybe only 5 cents a day in some families, because they have children—and God knows we ought to give our children plenty of milk—if they can have that, I do not know what other basic food we can give them in abundance, and we ought to be able to do that. I am perfectly willing that you should spend \$1,000,000,000 to see that they get it.

Mr. BROWN. I would like to know more about why you have to subsidize producers of milk in the Washington area.

Mr. HUTSON. I will tell you again just how this particular situation came here. Hearings had been held with the producers in these three areas, and it had been agreed that the situation with respect to production, labor, and feed, and so forth, warranted an increase in prices.

A tentative decision had been made with respect to that, and in one case it may have been announced, but everybody had the plans to go through. Then the hold-the-line order came right in that interim. It had been expected until the hold-the-line order was issued that the ceilings would be advanced, but the President said hold the line; no more advances in prices.

What are you going to do? Well, we can say you are not entitled to it or you are going to immediately break the ceiling.

Mr. BALDWIN. I am not criticizing the Commodity Credit Corporation for what you did. You did what you did because the O. P. A. did not see fit to raise the ceiling prices.



Now, the only criticism I have of the O. P. A. and whoever puts out that, is that to the public they have created the impression that any adjustment that is justified in raising the price ceiling is going to mean a break-through, and it is not substantial enough to mean a break-through, because finally the O. P. A. has the right to establish price ceilings, and see that they are enforced at a reasonable price, and nobody expects people to produce food at less than a reasonable price.

Mr. BARRY. Is not it a fact that in certain milk areas, and I believe Washington is one of them, they have gotten their standards so terribly high with extra strict sanitary requirements and equipment that they cannot meet the cost of production and yet they refuse to yield to other city standards to get or allow other farmers to come into this area? Is there not some type of monopoly exercised in that case?

Mr. HUTSON. I heard something about that a year or two ago. I have not heard anything recently about that. I know that there was a controversy.

Mr. BARRY. We are liable to find ourselves moving into a situation where we are subsidizing high-cost producers who have got their high cost up in order to monopolize a certain milk area.

Mr. HUTSON. Just from the standpoint of food administration, if we found that there was another source from which they could get milk, we would raise the question with the people as to whether that source should not be utilized, and I do not know what the answer would be.

Mr. KUNKEL. Are you eventually going to raise the ceiling in Washington and Baltimore areas?

Mr. HUTSON. I do not know. Maybe we can reduce costs.

Mr. BALDWIN. If the O. P. A. keeps the price ceiling on the costs, you would not have any trouble with the farmers, but instead of working the thing out, there is no effort in lots of cases to stop costs of production, and the cost of the product is frozen. If they have authority in one instance, they certainly have authority to regulate prices to stop that increased cost of production.

Mr. KUNKEL. Pardon me. What I mean, Mr. Baldwin, is if they start in and have this situation in Baltimore and Harrisburg and Washington, and it is permanent, it seems to me it is inevitably going to spread all over the country and you will have to do the same thing in other cities, because why should you get a higher price here than you do some place else?

Mr. BALDWIN. Your price of feed is protected, and I do not know whether the O. P. A. has set prices on feedstuffs.

Mr. HUTSON. There are ceilings on most feeds. There has been a ceiling on mixed feeds for some time. You are talking about hay?

Mr. BALDWIN. No.

Mr. HUTSON. There is a ceiling on corn. That has been under ceiling for several months.

Mr. BALDWIN. But the point there, to answer the gentleman's question there, they kept going up; the Commodity Crop Corporation subsidized the feed dealers with wheat and corn and they kept raising their prices on mixed feeds, and what was the dairyman going to do? That is something that I am very familiar with; because I am a farmer myself; until they do set a price as I say on the things that enter into the cost of production you are going to have that demand.



If they do that which they should do, you will not have the further demand because the farmer will get a fair return, and that is all that he is asking.

Mr. SPENCE. How do you arrive at the conclusion that these emergency conditions exist in these various sections that you mentioned?

Mr. HUTSON. Well, the major consideration is whether or not you can get production. That is the big standard that you are thinking about all the way through, whether or not you can get production with the ceilings that prevail.

Mr. SPENCE. Who makes those decisions?

Mr. HUTSON. They do with respect to the price level. Decisions on prices to farmers necessary to get production would be made now by the War Food Administration. That would be subject to clearance with Mr. Byrnes' office.

Mr. SPENCE. It seems to me that all of the people who are substantially similarly situated should be treated the same. Now, are those the only districts that are eligible for this treatment? Are not there other sections of the United States where substantially the same conditions prevail?

Mr. HUTSON. They were the only situations that were brought to our attention where this particular situation prevailed.

Mr. SPENCE. You afforded the relief because application was made to you from these various sections?

Mr. HUTSON. Because a tentative approval had been made to advance the prices on the basis of a showing and the mere fact that it was here in the East versus being in San Francisco or some other place did not have anything to do with it. It just happened that these three orders were in that particular position, where commitments had been made to producers on the basis of a showing that they had made, and the orders changing the prices had not been issued prior to the President's hold-the-line order.

It might have been several areas if there had been several areas in that condition. It was the peculiar situation that these areas found themselves in.

Miss SUMNER. Did you take up with the mayor or anybody in that area whether their existing relief system would take care or would enable them to give their own subsidies or relief to the people who could not pay the advanced price of milk, so that you would not have to be subsidizing the milk on Park Avenue in order to take care of the people in the poorer districts around Seventeenth and Fourteenth Streets? Did you ever take that up with any of the State or municipal relief organizations or the mayors?

Mr. HUTSON. Personally, I have not. Some consideration has been given to that type of problem by people in the Food Distribution Administration.

Miss SUMNER. The Food Distribution Administration?

Mr. HUTSON. Yes.

Miss SUMNER. Who is head of that?

Mr. HUTSON. Mr. Roy F. Hendrickson.

Mr. CRAWFORD. Mr. Hutson, what was the price of milk delivered to the consumer's door at New York at the time you started the subsidy, and at the present time, do you know?

Mr. HUTSON. I do not have those figures, Mr. Crawford. I am sorry. I could get them.

Mr. CRAWFORD. Would you mind putting in the record the price in these areas where you initiated the subsidy and withdrew it, the price at the time you started, and the prices that prevailed since the ceilings have been advanced, and then as an illustration, in each of those areas now, show the prices that prevail in Dallas, Tex., Salt Lake City, Minneapolis, Chicago; that will be enough.

Mr. HUTSON. We will be glad to do it.

(The statement referred to appears on p. 101.)

Mr. FORD. I would like to ask a question pertaining to my own region. Has there been any question or application from the Los Angeles milkshed for this type of relief?

Mr. HUTSON. I do not know of any.

Mr. FORD. We have very high standards out there for milk, very high.

Mr. HUTSON. I understand that.

Mr. FORD. But I do not believe that there is any bar to any coming in, but there is an absolute prohibition in the way of the standards being fixed so that the States adjoining are not up to that, and the milk cannot come in. That is my understanding of the situation.

Mr. WOLCOTT. Those standards are standards of quality or standards of sanitation?

Mr. FORD. I think that they are both. I think that there is a certain content of fat, and certain sanitary requirements that they hold up. Is not that correct, Mr. Baldwin? There are two standards that they set; that is the sanitary and butterfat?

Mr. BALDWIN. Of course, in defense of Mr. Hutson, I am quite familiar with the Washington milkshed and the Baltimore milkshed, because the producers' association, and I think the action was taken to raise the price because they were losing the supply of milk in Baltimore, and there has been at least 400,000 defense workers moved to the Baltimore area in the last 3 years, and something had to be done to keep the milk from going out into places where farmers could get it. The same way in Washington. The influx of population was the basis. Is that right, Mr. Hutson?

Mr. HUTSON. Yes.

Mr. BALDWIN. The figures presented you showed that milk was being diverted because of the price, and the point which I make was that they had to meet that price.

Going back to the answer of your question, in arriving at a fair price to the public, I think it is fair to say in this connection that in the canned vegetable situation where the Commodity Credit Corporation guarantees the price in raw tomatoes, in Maryland they are guaranteeing the farmers \$27 a ton, and they subsidize them \$4, which makes the canner pay \$23. I think I am correct in that.

But they set a price in the tri-State packers, the O. P. A., a ceiling price at \$1 a dozen for No. 2's, and in Ohio they cannot produce tomatoes for anything less, and they only allow them \$16 per ton. The Commodity Credit Corporation puts the floor at that.

Yet they allow the canners of Ohio to have a ceiling price on their No. 2 tomatoes at \$1.05 a dozen. That is 5 cents higher than the tri-State packers, whose guaranteed price to the farmer they must pay is \$23 a ton against \$16 in Ohio.

I do not know how you arrive at that. It is probably not your fault.

Mr. HUTSON. I will be glad to look into that. I did not know that that situation prevailed before.

Mr. BALDWIN. The same thing applies on the green bean market wherein the tri-State area and the Baltimore area, Maryland packed 25 percent of all of the snap beans packed in the United States last year. They cut the producer \$20 a ton in view of a known fact that instead of \$1.50 for picking he is going to have to pay at least \$2, and in face of the fact that seed last year was \$6 a bushel, and it is today \$20 a bushel. They still cut the price of beans \$20 a ton delivered to the canner, as a base price from which the Commodity Credit Corporation will subsidize the bean canner.

I am just trying to get a little reason out of some of these things, and some idea of equality.

Mr. FORD. I could give you a classical example of O. P. A.'s operations that seem to me to be perfectly silly.

Mr. BALDWIN. The point I make is that when the Commodity Credit Corporation is a part of this program, as it must be, if they are going to spend this money, they should certainly have some jurisdiction over the equality with which those price ceilings are set or let A. P. A. assume it all.

Miss SUMNER. Have you stopped to consider whether or not all of this food, with standards and the price ceilings and the whole thing connected with food ought to be under one administrator, Mr. Davis, or somebody of that sort? Have you considered that, food being taken entirely out of O. P. A.?

The CHAIRMAN. I am going to ask for some information on one matter. Some one can probably give me this information.

What is the difference in cost, if there is any, in raw milk and pasturized milk?

Mr. HUTSON. Well, it would depend upon the quality. I am not an expert in that area. I will be glad to talk about it for just about a minute, and then I will exhaust my knowledge.

Certified raw milk would cost 2 to 4 cents a quart more to produce, as I understand it, than would pasteurized milk.

The CHAIRMAN. Now, you mean the cost is more to produce it?

Mr. HUTSON. Well, it would.

The CHAIRMAN. You mean it would cost the consumer more?

Mr. HUTSON. No. I mean that it will cost this dairy man out here more. I don't know whether the figures are right, but it will cost him more to keep the equipment that is necessary in order to market certified raw milk than it would to keep the kind of equipment that he had to keep and sell milk and pasteurize it or someone else pasteurize it and pay them to pasteurize the milk. The reason is that they have got to keep such equipment there and take such care as to keep the bacterial count low all the way through without any treatment.

Now, that is about as far as I know.

The CHAIRMAN. Is not that what you do when you pasteurize it?

Mr. BALDWIN. The certified milk, Mr. Chairman, is produced in very few cases, and it is only a very small part of your actual production. Is that right?

Mr. HUTSON. Yes.

Mr. BALDWIN. It must be produced under health regulations in such a way that it is very expensive, and you almost have to keep cows in a parlor to produce certified milk.



The CHAIRMAN. What I want to get at is this, because this is a matter that I do not understand and you people do.

Now, what I want to find out is, I do not care whether it is certified or if it is allowed to be sold, just so it is allowed to be sold; if I want to buy some milk now I know where to get it. Which of the the two kinds contains the most food properties? That is what I am talking about.

Mr. BALDWIN. I do not know that the raw milk has all of the qualities which—doctors will tell you pasteurization does not hurt it, but it does take some of it.

Miss SUMNER. We used to have a dairy, and it depends a lot on the kind of cows.

The CHAIRMAN. Certainly. I am assuming that the cows are the same, that the pasture is the same, and the food is the same, and you get pasteurized milk, and it is one kind and one time. And you get the other type and it costs you more money and I am thinking about the one which gets the most food properties in for children.

Miss SUMNER. You have got to tell what kind of food you want. Holstein-Friesian cows have more protein and very little fat, and Jersey cows have a lot more fat and very little protein. You can make up your mind.

Mr. CRAWFORD. Let us simplify it this way. We go out tonight and we milk a cow. You milk a half gallon in the bucket, and I put in half a gallon from the same cow, and they take and split that gallon of milk and one-half is certified raw, and one-half goes to pasteurization.

Now, do not shake your head and say you do not do it. I am saying suppose that you do do it.

Now, which half gallon of milk has all of the properties? That is what you mean?

The CHAIRMAN. And which costs the most and why; that is what I am talking about. Which has the most food properties, and which costs the most, and that is what I am talking about.

Mr. BALDWIN. Your certified milk in the first place, your bacterial content must be kept so low, originally, that it is down to a certain point. The milk must be cooled immediately and kept in a very low temperature.

Now, your milk that goes to pasteurization does not have to be handled that carefully, and your pasteurization reduces your bacterial count down to make it a safe product to consume.

Mr. CRAWFORD. What is the answer to his question, though?

Mr. BALDWIN. I am not a doctor; they tell me it is all right.

Mr. HUTSON. I will try to be prepared the next time I come up to answer your question.

Mr. WOLCOTT. May I interrupt there? Have you covered this question which is giving so many Members of Congress trouble; the trouble of the canners?

Mr. HUTSON. That is next. I have just a very short statement on dairy cattle, and then I am taking up the canners.

Mr. WOLCOTT. Are we going to be able to finish here tonight, Mr. Chairman?

Miss SUMNER. You know we are not because a lot of us are interested in this.



Mr. HUTSON. It will take just a few minutes to finish this dairy statement, and I am trying to cover all of this type of project concerning which some questions have been raised.

In the fall of 1942, in some areas of the country, the prices of dairy animals were below beef-cattle prices. That is the price of dairy animals for dairy purposes were below beef-cattle prices.

Mr. WOLCOTT. Do you not think, Mr. Hutson, because of the importance of that question, that you have got to come back tomorrow anyway, that you might not take it up then, if it is the committee's wish to adjourn now. I say it is a little selfish on my part.

The CHAIRMAN. Mr. Wolcott has an important engagement, and I suggest to the committee that we meet at 10:30 in the morning.

(At 4:50 p. m., the committee recessed, to reconvene Friday, May 21, 1943, at 10:30 a. m.)

## CONTINUANCE OF COMMODITY CREDIT CORPORATION

FRIDAY, MAY 21, 1943

COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. Let the committee come to order. The committee has before it for further consideration H. R. 2725.

Mr. Hutson, you may resume your statement.

### FURTHER STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION

Mr. HUTSON. Yesterday Congressman Crawford requested certain information with respect to milk prices in different cities. This is being submitted for the record:

#### MILK PROGRAMS

In October 1942 the Commodity Credit Corporation instituted at the request of the Office of Price Administration, and upon approval by the President, a purchase and resale program to support milk prices to farmers and maintain production in the New York metropolitan area. Commodity Credit Corporation offered to pay handlers \$3.30 per 100 pounds of class I fluid milk, and to resell this milk to these handlers at \$3.10 per 100 pounds. The program was continued in November and December on the basis of a purchase price of \$3.50 per 100 pounds, and resale at \$3.10. Purchase prices were the minimum class I producer prices which had been established by the Federal-State milk marketing orders.

In November a similar program was instituted in the Duluth-Superior (Minnesota-Wisconsin) marketing area, the purchase price being \$3.21 per 100 pounds, and the resale price \$2.68. In December the program was extended to Chicago, with a purchase price of \$3.125 per 100 pounds, and a resale price of \$2.845.

On January 1 these purchase and resale programs were superseded at the request of the Office of Price Stabilization by a temporary increase (until April 1) in the Office of Price Administration milk price ceilings, pending the development of a program of milk marketing economies to be worked out by the Secretary of Agriculture.

On March 30, the Office of Price Administration announced the continuance of the higher ceilings until economies in distribution should be put into effect. Meanwhile, an interagency committee composed of representatives of the Office of Price Administration, the Office of Defense Transportation, the Manpower Commission, and the War Food Administration has been working upon ways to reduce distribution costs.

On April 1, the Office of Price Administration and the Department of Agriculture announced temporary approval of increases in milk prices at both the producer and retail levels in Washington, D. C., Philadelphia, and Baltimore, following hearings showing the need for increased prices to farmers. Prices were to be increased 43 cents per 100 pounds to producers in the Washington area, 35 cents to Philadelphia producers, and about 35 cents to Balti-

more producers. Then came the President's hold-the-line order, and on April 15 the War Food Administration announced that milk prices in these three areas would be stabilized at existing retail levels through a purchase and resale program under which farmers would receive the increases approved as of April 1, the difference to be paid by Commodity Credit Corporation. A purchase and resale program was subsequently extended to the Alexandria, Va., Harrisburg, Pa., and Wilmington, Del. areas.

*Retail prices of fluid milk*

[Single quarts]

	1942				1943				
	Septem- ber	October	Novem- ber	Decem- ber	Janu- ary	Febru- ary	March	April	May
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
New York:									
In stores.....	12 -15	11½-16	12-13	12-14	14-15	14-15	14-15	14-15	14-15
Delivered to homes.....	16½-17	17	17	17	17	17	17	17½	17½
Chicago:									
In stores.....	12½	12½	12½	12½	13½	14½	14½	14½	14½
Delivered to homes.....	15½	15½	15½	15½	16	16½	16½	16½	16½
Duluth:									
In stores.....	9 -11	10 -12	9-11	9-11	10-12	12½	12½	12½	12½
Delivered to homes.....	12	12	11-12	11-12	12-13	13½	13½	13½	13½
Minneapolis:									
In stores.....	10 -12	10 -11	11-13	11-13	11-13	11-13	11-13	11-13	11-13
Delivered to homes.....	12	12	13	13	13	13	13	13	13
Dallas:									
In stores.....	13	13 -14	13	13	13	13	13	14-15	14-15
Delivered to homes.....	14	14	14	14	14	14	14	15	15
Salt Lake City:									
In stores.....	11	11	12	12	12	12	12	12	12
Delivered to homes.....	12	12	13	13	13	13	13	13	13
Washington, D. C.:									
In stores.....	11 -15	11, -15	11-15	11-15	11-15	11-15	12-15	12-15	12-15
Delivered to homes.....	15	15	15	15	15	15	15	15	15
Baltimore:									
In stores.....	14	14	14	14	14	14	14	14	14
Delivered to homes.....	14	14	14	14	14	14	14	14	14
Philadelphia:									
In stores.....	13	13	13	13	13	13	13	13	13
Delivered to homes.....	14	14	14	14	14	14	14	14	14

Source: Bureau of Agricultural Economics, Monthly Fluid Milk Prices in City Markets.

Mr. HUTSON. With respect to the question raised by the chairman our experts tell me that as between raw milk and pasteurized milk that vitamin C is impaired somewhat by the heat and the exposure during pasteurization. However, this is not an important source of vitamin C. The important sources for vitamin C are raw tomatoes and citrus fruits. Cooked tomatoes, strawberries, and potatoes cooked with the skins on are also good sources. So the difference between raw milk and pasteurized milk is not important from a nutritional standpoint.

The CHAIRMAN. I do not want to encumber this record with lengthy extraneous discussions which are really not of value in our consideration of this bill, and it occurs to me that some of the discussion yesterday afternoon was not of any value in connection with this legislation.

Mr. FORD. You pay \$4 a ton to the canner for tomatoes to keep the tomatoes from jumping through the ceiling price. You pay \$4 a ton subsidy to the tomato growers in order to keep the canned tomato prices from going through the ceiling; is that right? That amounts to about a cent a can; is that correct?

Mr. HUTSON. I do not know the exact figure.

Mr. FORD. Well, I think Mr. Baldwin said that.

Mr. HUTSON. It is nearly \$5 a ton average the country over. It is different from one area to the other. I am going into that.

Mr. FORD. The question I want to discuss for a minute is we have three things to deal with. You have the subsidy for a floor and prices for the consumer and you have the points that the consumer has to give up in order to get the tomatoes. And tomatoes are among the highest pointed products we have. A cent would not make any difference to the woman buying the tomatoes if she did not have to give up too many points for a can of tomatoes. I think we ought to have the Office of Price Administration up here.

Mr. CRAWFORD. May I say off the record—

(Discussion off the record.)

Mr. BALDWIN. Mr. Chairman, since talking with the committee about the sale of milk in the Baltimore area yesterday I have talked with the Baltimore health authorities and now have actual figures which I would like to present to the committee at this time.

I find that the per capita consumption of milk in Baltimore is one-half pint per person per day based upon statistics of 3.5 persons per average family. Figuring the average family to be four persons rather than 3.5 that would mean that they would consume 1 quart of milk per day. At a subsidy of 35 cents per 100 pounds in lieu of raising the price of milk the saving to each family in the Baltimore area would be about 20 cents per month. The approximate consumption of milk in the area is about 100,000 gallons per day and at a subsidy of 35 cents per 100 pounds it would cost the Commodity Credit Corporation about \$1,000,000 per year. (There are 8 pounds of milk in 1 gallon.)

I just want to show by this statement that by subsidizing the producer the Government is saving each family in the Baltimore area a very small and insignificant sum which certainly does not justify the statement that it would materially increase the cost of living if this subsidy were stricken out.

Mr. HUTSON. I think the point in connection with the relationship between the cost to the consumer and the cost to the Government, that is, the price relationship, needs to be supplemented with this further statement: The problem that confronts us here in formulating plans for operations under the Commodity Credit Corporation is what effects the failure to act when we have a situation of the kind that confronted us in the Washington area and in the Baltimore area would have on the production of milk. I can readily understand that it may be impossible for the people in the Office of Price Administration to meet all of the problems that we would like to have them meet as fast as they are presented to them. They have in my judgment one of the most difficult jobs that anyone in this country has in trying to formulate and administer price ceilings. Occasions do arise, assuming the best of cooperation between the two agencies, under which, in order to keep the policies that they formulate and have in effect from affecting production, it is necessary from time to time to supplement their programs. The operations that have been undertaken to date have, for the most part, been of that type. They have been operations which have had the effects of preventing the policies that they have put into effect from materially affecting pro-



duction. They have all been in the interest of getting more food produced.

Mr. MONRONEY. You have to have that safety valve, if you set a new price maybe in Philadelphia, that is apt to be part of the Baltimore milkshed to Philadelphia, until such time as the Office of Price Administration can lift your Baltimore ceiling up to the point where it should be.

Mr. HUTSON. Or maybe work out some other arrangement under which the price would not have to be lifted. For example, in some of the areas in which early subsidies were put into operation and possibly also in these areas in which now we are absorbing losses in connection with the purchase and sale of milk it may be possible to eliminate the losses by economies in distribution and those studies are going on for the purpose of doing that. But when you have a situation facing you where you do not want the price to advance prior to the time you can work out some method, or even decide whether or not you can effect economies in distribution or whether it is necessary to increase the price, then prior to the time you can actually complete these methods and get into operation it may be advisable to protect the prices both to the farmer on the one hand and the consumer on the other.

Mr. GIFFORD. May I ask a direct question? Which is better, to allow a 1-cent increase in the price of a quart of milk or pay subsidies and to whom do you pay the subsidies? Which is the better thing to do?

Mr. HUTSON. Well, that question, Congressman, has so many implications just stated generally that I am afraid it is very difficult to answer.

Mr. GIFFORD. I think you can answer that question. We have a great many milk producers in the New England region and in my section. My desk is covered with milk problems. All the New England people simply are flooded with these problems. We had a bill up here for price control. If you raise it 1 cent, it does not mean you have to raise it 2 cents. When they go through all those complex processes of trying to hunt out about the subsidies and make the application and try to get the money it is so complicated and the result is only a cent increase. I think you can answer that question which is the better of the two methods. If the price control fastened upon you and all these various things, and the problem of figuring out and paying subsidies is so complicated there is no end to it. As Mr. Baldwin shows it amounts to a 20-cent increase per family. But it will relieve all this pressure and criticism and I do not believe because in that one large area you increase it you would need to do it everywhere. We passed this price-control bill under the premise that they would be reasonable. They will attempt to hold the line everywhere contrary to the absolute facts in the case and then throw it right back in your hands and then you say, "We will take care of it by subsidies." It looks to me like it is a long complicated process.

Mr. BALDWIN. The point I make, Mr. Gifford, is that we are fooling not only ourselves but the American people in trying to tell them, and a lot of people think by the publicity in the papers, that a subsidy is saving them a vast amount of money and that without the subsidizing program the cost of living will be immensely raised. All I am trying to prove is we are not being frank and honest with pur-

selves and with the people. It does not cost them and cannot cost them over a few dollars a year per family.

Mr. GIFFORD. That is a generalization, when you froze prices on March 15, that's all right, freeze them. But immediately unfreeze them when they can be let go. We did not intend to give any such powers as that, to set an arbitrary amount, that they can't get any more, and to have to come back in here creeping to be told, "We will pay you a subsidy" under such a complicated process, when we know a 1-cent increase in price would stop all this. That is the whole trouble in my region—1 cent. I am writing home that you will come to their rescue in some manner. I do not know whether it is the distributor or the producer or who it is that gets that subsidy.

Mr. MONRONEY. What he is trying to say though, Mr. Gifford, is during the interim period when he finds the 1-cent increase in your area will spread into 100 areas around there so that your supply is drawn off and he is trying to hold the price situation constant until he can figure out whether they can work out more economical distribution means to get the same profit to the producer without advancing the price 1 cent.

Mr. BALDWIN. Mr. Monroney, they do not do that. This is a permanent program.

Mr. MONRONEY. That is not what he said yesterday.

Mr. BALDWIN. They do it on canned goods. It has been done for 2 years. If they cannot find out what is a fair price for canned goods in 2 years, they are never going to find out. It is the policy of the Office of Price Administration to have this subsidy policy because they are going to set an arbitrary price and then if there is any loss let the Commodity Credit Corporation come in and take up the loss. I am not criticizing the Commodity Credit Corporation because that is the policy of the Office of Price Administration. That is a matter for the Congress to decide. So the question in my mind is whether to continue that policy or we are going to say prices are set fair enough to take care of increases which will not increase the cost of living to any consumer but a very small amount.

Mr. GIFFORD. I do not want the Office of Price Administration to go to my city of Boston as they did and bawl out the milk producers and simply tell them, "No matter what you say we are going to hold this line. That is our order. And we are going to reduce the price of milk," which they did.

Mr. BALDWIN. I do not know whether they are going to reduce it or just continue with the Commodity Credit Corporation taking up the slack.

Mr. GIFFORD. Yes. They sent it over to them and they by some method unbeknown to me, how they can figure it out I do not know. Now, Mr. Hutson, I hope you will explain the complicated process that it must be of how these parties affected are to receive subsidies and who they are and how to get it. That is my job, to comfort them, to tell them, "You can get it," but how? I have got to have thousands of letters come through my office to explain to them. How are they going to get it?

Mr. HUTSON. I think we have really two questions before us. The one which we have just been discussing is the over-all subsidy, I would assume something resembling the Canadian system, in which they have in accordance with a formula determined the amount of subsidies and

have definitely embarked upon that method of maintaining prices, as contrasted with the one I was trying to discuss which was on a selective basis temporary in nature until some other means of meeting and solving the problem could be worked out. All of these programs that I have been discussing are regarded as temporary in nature. Some of them were discontinued after a month or two and some of them, as in the case of the canning crop which I shall discuss in a moment, are to my knowledge being undertaken for the first time this year, and which will become a subsidy unless the price ceilings are advanced prior to the time the products are sold. I did not know at the time the support prices on the canning crops were announced whether or not there would be any losses involved in that operation. Our job was to make such price assurances as were necessary and in accordance with law in order to get increased production of canning crops.

Mr. GIFFORD. That is not what Mr. Monroney says. If this 1-cent raise in one region is going to affect other regions the subsidy he pays in one region may not be the same as the subsidy in another region, and he may have something of a complicated process, more complicated by far than raising it 1 cent only in a particular region.

Mr. MONRONEY. What he said is that is a temporary thing, to allow them to see if they can combine distribution systems and effect other economies.

Mr. GIFFORD. We have heard about this economy in the system of distribution. With gasoline as it is they have it in effect today, so if a man wants a quart of milk in some cases he has to use his own gasoline to go and get it. They have reduced deliveries. Our deliveries are only every other day rather than every day which in the summertime is not going to be good. They are trying the economy system and have put it in effect now. This milk business, Mr. Hutson, is far different than when you say, "We will buy a whole product" as you have done in some of these cases and then sell it back just like that for a half cent a pound less. It is just a matter of bookkeeping and you want a billion dollars more to cover that little bit of interim period when you immediately say take it back, immediately take it back at a half cent less. That has nothing to do with milk. You can't do it that way. You can't buy all the milk and sell it back. It is a very complicated thing. I did not and I am sure the committee did not intend to give the price-control people that sort of power or authority or expect anybody to tell them to hold the line and then by holding that line putting it back into your hands to subsidize. How are you going to subsidize it? What is the process so I can tell my farmer about it, that he will be reimbursed and encourage him to keep on?

Mr. HUTSON. Are you talking about milk?

Mr. GIFFORD. I am talking about milk now.

Mr. HUTSON. Well, the only programs in operation with respect to milk, and they are the only ones contemplated, so far as I know at the moment, are in this area, and by this "area" I mean Washington and Baltimore and Philadelphia and this general vicinity. The mechanics of carrying this out are briefly these: The distributor or processor of milk who pays the farmer a specified minimum price can repurchase that milk—can purchase the milk first for the account of Commodity Credit Corporation and repurchase it at a slightly lower price and bill Commodity Credit Corporation for the difference. It is not an involved mechanical operation.



Mr. GIFFORD. It is simply 1 minute of bookkeeping, and that is reported once in 30 days? You have done that? You give them blanket authority to purchase in your behalf and then repurchase?

Mr. HUTSON. Under the conditions as I have stated, Congressman.

Mr. GIFFORD. Every processor is then supposed to pay the farmer more money; is that correct?

Mr. HUTSON. That is correct.

Mr. GIFFORD. He is not obliged to pay the farmer? Or, if he keeps the money, what are you going to do about that?

Mr. HUTSON. He has to pay the increase in price.

Mr. GIFFORD. He has to prove that he pays the producer?

Mr. HUTSON. Yes.

Mr. GIFFORD. That is a very simple explanation and is very helpful. But that's milk. That is something you have to act on quickly. So they have this general authority and they report to you once every so often and then they get their money?

Mr. HUTSON. That is correct.

Mr. GIFFORD. I appreciate that information. Now, that is something.

Mr. SPENCE. Who decides whether or not subsidies will be in effect, the Office of Price Administration? You don't make that decision independent of other agencies? Does the Office of Price Administration make the decision? Have they authority to make it?

Mr. HUTSON. When a tight situation is brought to our attention—one in which the results are likely to substantially decrease production unless some action is taken, the matter is jointly taken up by the Office of Price Administration and the War Food Administration. It is discussed with the Director of Economic Stabilization and he indicates the action that will be taken. We could not announce any subsidy without the approval of the Office of Economic Stabilization.

Mr. SPENCE. They issue an order to you that you have to carry out?

Mr. HUTSON. That is correct.

Mr. SPENCE. So you have no independent discretion in that matter?

Mr. HUTSON. Correct.

Mr. GIFFORD. Who determines the amount of the subsidy? Is that approved by you?

Mr. HUTSON. They approve the amount. They rely upon the work being done by these agencies in bringing together facts.

Mr. GIFFORD. If my farmer wants to appeal to you, you have granted a subsidy to my milk processors so they can pay the farmers, is that the next step? You must bear in mind no matter what you do, you don't catch it. It is we that get it. Your message comes to us. The complaint comes to us. We get the blame of it all. They cannot reach you. Suppose I have my farmers get together and make a joint appeal to you do you then have to send that to the Office of Price Administration for approval or to the Board of Economic Stabilization or somebody in that department.

Mr. HUTSON. Well, the first step that would be taken in connection with a problem of that kind would be to determine if there was a basis for the appeal, if there was a situation prevailing which would affect the production in that area.

Mr. GIFFORD. Do you recall any appeal made through Louis A. Webster, our Massachusetts commissioner of agriculture, who is



awfully excited about the milk situation and who is bombarding me and other Members of New England all the time about the milk situation? Is it possible no one knows about it?

Mr. HUTSON. Well, it would not come directly to me in carrying on our operations.

Mr. GIFFORD. To whom shall I tell my commissioner, Mr. Webster, to appeal?

Mr. HUTSON. Why, that should be taken up with the head of the Dairy Division of the Food Distribution Administration.

Mr. GIFFORD. And if they have deaf ears, where can he go over their heads?

Mr. HUTSON. They can go to the War Food Administrator, Mr. Davis, who was here before this committee.

Mr. WRIGHT. May I ask a question, or rather make an observation? If I were convinced this 1-cent rise in price or half-cent rise in price Mr. Baldwin speaks about would be the last increase in price I would be rather inclined to agree with you. But I am not convinced about that yet. That is a subject I would like to find out about. I had the idea that every advance in price of every commodity releases a pressure which reflects itself in requests for higher wages and that unless some attempt is made to hold the line even as against minor increases the whole price and wage structure might get away from us.

Mr. GIFFORD. You mean a 1-cent increase on milk would have any such effect?

Mr. WRIGHT. You have milk and other commodities.

Mr. GIFFORD. In heaven's name, did we expect it was going to be held down in spite of supply and demand? We did not want to grant any price administration bill of that iron-clad character. We did not dream of it. The last words Mr. Henderson said to me after a couple of days' questioning were, "This law is predicated on reasonableness" and not on iron-clad arbitrary decisions. Given the day you have to freeze that, all right. The next day when you find you are wrong, release it.

Mr. WRIGHT. As I say, I don't know. I am not convinced one way or the other. I would like to learn about that before voting on this on this bill. I think that is the primary question we have to decide, what the effects of allowing this increase in prices to be passed on to the consumer will be on the remainder of the price structure.

Mr. GIFFORD. That is a big problem in itself to decide. You have here a subsidy or the law of economics: Which would be better?

Mr. WRIGHT. That is it; I don't know.

Mr. GIFFORD. Well, it is a very serious matter.

Miss SUMNER. Why would it not be equally effective to raise the ceiling temporarily?

Mr. HUTSON. That has been done in some cases. The advance in the ceiling in New York and Boston areas were regarded at the time they were advanced as temporary advances pending the completion of studies as to whether or not the prices could be reduced to the old level through economies in distribution.

Mr. GAMBLE. What cured that situation since you took the subsidy off?

Mr. HUTSON. I beg your pardon?

Mr. GAMBLE. I say, what cured that situation to the extent you took the subsidy off?

Miss SUMNER. You mean why did you revert to subsidies?

Mr. HUTSON. You mean why was one policy followed at one time and another at another time?

Mr. GAMBLE. No; you paid a subsidy in New York and then you did not pay a subsidy.

Mr. HUTSON. That's right.

Mr. GAMBLE. What happened in the intervening time that cured that situation. Or putting it another way, they were paying a subsidy in New York and they have transferred that subsidy to Philadelphia.

Mr. HUTSON. I think that is a question with respect to the policies on ceilings that you would have to ask someone in the Office of Price Administration.

The CHAIRMAN. Mr. Hutson, if I understood the question, he is not asking about what the Office of Price Administration did, but he is asking you what you did.

Mr. GAMBLE. Yes. What cured that situation in the intervening time?

The CHAIRMAN. If it was cured.

Mr. GAMBLE. Yes; obviously it was cured.

Mr. HUTSON. If I understand the question, I think the answer is this, that at the time that program was announced for the New York area the responsible officials in the Department of Agriculture felt that unless some action was taken the supply of milk for that area would be in danger. Later, after further consideration, the Office of Price Administration decided that they would temporarily advance the ceiling prices in the area and what was back of that decision or why that decision was not reached at the earlier time as contrasted with a couple of months later, I am unable to say. Those things come upon you suddenly and I assume they do the best they can to get to an answer, but they could not get the answer quick enough to meet the problem. Now, when the increase was granted it was announced that this was a temporary measure and that the study was being made of the distribution with a possibility of bringing about some economies in distribution and thus restoring the price to the previous level.

Mr. WOLCOTT. How did you determine the amount of subsidy to meet that situation?

Mr. HUTSON. In the case of most of these areas they have milk-marketing orders. I am not familiar with the details of those orders. But when, under certain conditions, the prices are to be advanced to the producers and when those conditions prevail and you have to advance the prices that is spelled out in the orders. I can bring you a copy of an order and let you see it. When those conditions prevail the prices go up to the producers. The question always arises at that point as to whether or not that should be passed on to the consumer

in the form of higher prices, whether economies can be made in distribution or whether or not somebody pays the difference.

Mr. WOLCOTT. Well, if you can determine the amount that would be equitable as a subsidy why couldn't the Office of Price Administration have determined the amount that would be necessary to raise prices to cover the same situation?

Mr. HUTSON. I think there are so many situations in that; I would much rather someone in the Office of Price Administration answer the question as to why they can take action one time and can't another. I do not think I do justice to their problem.

The CHAIRMAN. This is the answer to that question: Isn't it necessarily true if you have that information it is just as available to them as it is to you? That is the answer, isn't it?

Mr. HUTSON. I think the question would come around to this. And as I say I would much prefer they discussed these questions with respect to why action is taken at one time as contrasted with at some later time. But immediately the problem arises, I can see it might be exceedingly difficult for them to know the effect which it would have in this area and other areas and on other problems and the over-all milk picture.

The CHAIRMAN. Mr. Brown.

Mr. BROWN. Of course, what you want and everybody wants is more production of food crops.

Mr. HUTSON. That is correct.

Mr. BROWN. There are only two ways to arrive at that. One is by subsidies and the other is to raise the price of commodities. Now, in the last control bill we had I introduced an amendment in the House and we passed it, to include all labor costs in parity. The farmers would have been satisfied had the amendment become law. Every area of the United States would have been encouraged to greater production. If you undertake to subsidize producers in one area and not subsidize those in another area you are going to find one section of the country fighting the other.

Mr. HUTSON. I think there is a great deal in what you say, if you are thinking of a permanent basis. But I come back to this. These programs I have been discussing and that are now in operation are temporary programs to meet the temporary situations pending the time that the policies can be formulated.

Or pending the time studies can be made to indicate the necessity for permanent action.

Mr. BROWN. Don't misunderstand me. I am not criticizing you. I think you do a good job in whatever you undertake.

Mr. WOLCOTT. As I understand it, you are of the opinion that you have the authority in law now to grant subsidies?

Mr. HUTSON. We think that we have. We are advised by the solicitor of the Department that the actions that we have taken which some call subsidies are authorized by law.

Mr. WOLCOTT. Now, we have assumed that you have been advised that you have the authority to grant these subsidies, and you have not asked for them in this bill. Now, will you tell us where in existing law you get the authority to grant these subsidies?

Mr. HUTSON. If you will permit, I would like to have those ques-



tions summed up by the solicitor of the Department and at some time I would prefer, we could do it now, but I would prefer, of course, to finish discussing the mechanics of the things and then go to the legal things, if we could do it.

Mr. WOLCOTT. I am not so sure that we are not putting the cart before the horse. You either have or have not got the authority to do what you are doing. Now, if you have not got the authority, we should not be interested in the mechanics of your doing it. If you have the authority, then we should have in mind whether we want to continue that policy and the question of the mechanics, of course, would be interesting to us in determining whether the law has been complied with. I do not think we should go any further with this hearing until we have developed where in existing law you get your authority to grant these subsidies.

Mr. HUTSON. I tried to indicate in the beginning, Congressman—

Mr. WOLCOTT. Now, listen, Mr. Hutson, can somebody tell us under what authority you grant subsidies or where you get that authority?

Mr. HUTSON. Mr. Shields, the solicitor of the Department, I think, is better qualified to discuss that question.

Mr. SHIELDS. Mr. Congressman, the operations involved in the so-called subsidy programs that Mr. Hutson has been discussing involve, in the main, purchase and sale operations. Now, the authority of the Commodity Credit Corporation to buy commodities and, of course, to sell commodities, I think we are all agreed has been recognized for a long time. As a matter of fact, in the Steagall amendment to the act of July 1, 1941, extending the life of the Corporation you will recall that you directed the Secretary of Agriculture to carry out such purchase, loan, and other operations as may be necessary at not less than 85 percent of the parity or comparable price in order to get the needed production.

The CHAIRMAN. Do you mean to say what we had in mind at the time was that we recognized and were directing the use of those powers in connection with the situation that exists now for the purpose which we are now considering?

Mr. SHIELDS. I think it was very clear from the discussion if it was necessary to get production, we were going to go out after it either through loans or purchases, or any other operations which would obtain that production.

The CHAIRMAN. Let me say so far as I am concerned about that, because we should clear this up as we go along, what my understanding was of what we were attempting to do at the time was not for the purpose of reducing the price to the producer but to undertake to protect the marketing of farm products by the producers within at least to a point of 85 percent of what everybody had accepted as a fair price.

Mr. SHIELDS. That is true.

The CHAIRMAN. And the purpose of that particular provision was simply to say that in the use of such powers as you had at the time that policy and practice should be adopted. There was no purpose in that to confer specific authority. It was simply a direction for the use of existing powers.

Mr. SHIELDS. That is correct.



Mr. GIFFORD. Mr. Chairman, at the very beginning of this hearing you were told emphatically that somebody had coined the word "subsidy" when they were simply "losses"; and that they were empowered to have losses. They have resisted the word "subsidy" from the beginning. They do not call it that. Isn't that right?

Mr. SHIELDS. I agree with you, Congressman. In the Steagall amendment all you did was recognize existing power of the Corporation.

The CHAIRMAN. We did not intend to confer any power whatever.

Mr. SHIELDS. That is right.

The CHAIRMAN. But we were simply directing the use of powers that existed. That seems to me to be the only possible interpretation of that particular act.

Mr. SHIELDS. Yes.

The CHAIRMAN. Now, can't you go back of that and clarify the basis of that act?

Mr. SHIELDS. Yes; I can. I certainly can go back to the first Executive order if you wish.

The CHAIRMAN. You were already empowered to make purchases. A 50-million-dollar fund was authorized for that, as I remember, by the Marketing Committee. Clear up that machinery. Clear it up down to date, if you are familiar with it. If you are not let somebody come who can tell this whole story so as to let the members understand just where we are.

Mr. SHIELDS. I will be glad to do that from start to finish. Before I do that I would just like to refer to the record of the proceedings before the committee on June 13, 1940, in which Mr. Crawford on page 73 of the hearing asked Mr. Robins the following question:

Mr. Robins, has the Commodity Credit Corporation any authority directly or indirectly in any way to subsidize the export of farm surpluses other than through barter agreement?

Mr. ROBINS. I believe, Mr. Congressman, that the legal restrictions on the disposal of commodities in either domestic or foreign markets by the Commodity Credit Corporation are found in the provisions of section 381c of the Agricultural Adjustment Administration Act of 1938 which apply only to cotton.

Then Mr. Crawford goes on and says:

And the Commodity Credit Corporation can thus proceed and purchase goods without going through the mechanics of letting loans and then taking the commodities over; is that correct?

Mr. ROBINS. That is legally possible.

Mr. CRAWFORD. That is what I mean. So, in other words, if Congress facilitates the Commodity Credit Corporation with the necessary expansion of borrowing power and a great emergency does develop this coming crop year and running through the summer of 1941, if the administration deems it advisable the law does now permit you to go into the markets and actually purchase outright surplus commodities?

Mr. ROBINS. That is correct.

And the record goes on further. As I recall it, Mr. Congressman, we discussed last time the operations of the Commodity Credit Corporation in purchasing commodities in anticipation of lease-lend needs and the authority of the Corporation to buy and sell was very thoroughly gone into and discussed. There are new facts since that time. We have price ceilings. It seems to me there is a policy problem as to whether we want to buy at a certain level or sell at a certain

level and not a legal problem as to whether we have the right to buy or sell.

Mr. WOLCOTT. Were you not prohibited in the Price Control Act from buying and selling for the purpose of stabilizing prices?

Mr. SHIELDS. Not that I know of, Mr. Congressman. So far as I know the only provisions in that act which apply to the Secretary of Agriculture had to do with his joint approval of maximum prices of agricultural commodities.

Mr. WOLCOTT. Where in the law is the authority to subsidize?

Mr. SHIELDS. Well, I had hoped that the testimony——

Mr. WOLCOTT. I do not care where you call them losses or subsidies or what you call them.

Mr. SHIELDS. That's right.

Mr. WOLCOTT. For convenience let us call them subsidies.

Mr. SHIELDS. It seems to me if we can buy and sell commodities, there is a potential loss involved if we do not sell them for as much as we pay for them.

Mr. WOLCOTT. There is a loss to whom?

Mr. SHIELDS. A loss to the Corporation. I mean that would seem to follow. I think most of our support prices in the old days were at levels which were above the market which meant unless the price was artificially supported there would be large losses to the Corporation. Now, either the support prices set by legislation have gone up or the emergency has come so that these losses as has been indicated have been very, very small.

Mr. WOLCOTT. Didn't we provide in the Price Control Act you were not to sell your holdings of your surplus at less than the ceiling prices?

Mr. SHIELDS. I am not familiar with any such provision. I am quite sure it is not there.

Mr. WOLCOTT. I have a very distinct recollection of that because the question came up in conference that the price standards which were set up, through standards which we set up in the Price Control Act, would be nullified by the simple operation of buying and selling to the point where it might not be necessary if you extended your operations sufficiently to set any ceiling prices on agriculture commodities. Now, if you could keep down the price of agricultural commodities by buying and selling in the market you could force the prices of commodities down below 110 percent of parity, that was established at the time, by releasing to the market a sufficient quantity of any given agricultural product. The standards in the Price Control Act would not apply because they had to do only with maximum prices.

Mr. SHIELDS. There is a provision, Mr. Congressman, in the appropriation item applicable to the Commodity Credit Corporation restricting sales of farm commodities at less than parity, with certain exceptions.

Mr. WOLCOTT. No; in the O. P. A. Act itself. And we wrote in the conference a prohibition against you doing that because I remember the discussion very well. We said, "Now we have prevented the Office of Price Administration from doing this but we have not prevented any other agency of Government from doing it for the purpose of keeping prices down and obviating the necessity of setting maxi-

mun prices." It seems to me that was rather a clear indication of the intent of Congress in respect to your present activities.

Mr. SHIELDS. Well, the policy of the Corporation has not been to sell commodities below parity. As I was saying, the appropriation item contains provisions which prevent the Corporation from making such sales.

Mr. WOLCOTT. Do you have any authority to buy and sell commodities for any other purpose but to maintain a floor of 85 percent of parity?

Mr. SHIELDS. We do; yes, sir.

Mr. WOLCOTT. Where do you get that?

Mr. SHIELDS. Well, perhaps I better start at the beginning. The Executive order setting up the Corporation is contained in the record. If you go back to that, the Corporation was set up as an agency of the United States to carry out the purposes of several statutes that were then in existence. One of those was the A. A. A. Act of 1933. One was the Reconstruction Finance Corporation Act and one was the Farm Credit Act. There is also set out in the record the certificate of incorporation of the Commodity Credit Corporation, which was filed in Delaware in 1933 in October. And if you will glance at the provisions of that certificate of incorporation you will see that this Corporation has available to it all of the broad powers of a Delaware corporation which may be used in carrying out the purposes of these specific statutes.

Mr. WOLCOTT. Do you mean to say you can set up a Delaware corporation to negative an act of Congress without specific authority?

Mr. SHIELDS. No; that is not what we did.

Section 2 of the National Industrial Recovery Act authorizes the President to establish such agencies as he find necessary to carry out the purposes of that and other acts.

Mr. WOLCOTT. Yes. There is a limitation, isn't there? You cannot set up a Delaware corporation with broader powers than are granted in the organic act authorizing the setting up of the Corporation.

Mr. SHIELDS. No.

Mr. WOLCOTT. And if it is for the purpose of carrying out the purposes of that act and other acts you have to do it within the limits of those acts. The limitations appear in the Federal law, the organic law authorizing the setting up of this Corporation.

Mr. SHIELDS. There may very well have been some doubt as to the validity of this Corporation in the beginning. That was recognized when the problem of extending the Corporation in 1935 was brought to the attention of this committee. But in 1935 the Congress recognized the existence of this Corporation with its Delaware charter and authorized the life of this Corporation to be continued as an agency of the United States for 2 years. If you will refer to the testimony before this committee, there was some discussion concerning that.

Mr. WOLCOTT. Was the charter ever presented to the committee?

Mr. SHIELDS. Yes; the charter was published in the Congressional Record.

Mr. WOLCOTT. Was it made part of the hearings or a part of any of the hearings before the committee?

Mr. SHIELDS. I am not sure of that. I looked through some of the hearings last night. The charter was published in the Congressional Record in February 1935 when the first extension of this Corporation



was being considered. And when the matter was before this committee in 1935, I believe a member of the committee raised the question as to the original validity of the establishment of this Corporation, and Mr. Stanley Reed, who was then General Counsel of the Reconstruction Finance Corporation, I believe, indicated there might have once been some doubt as to the origin of the Corporation. When, on January 31, 1935, the Congress continued the Corporation as it then existed as an agency of the United States, I do not believe from that time on there could possibly be any question as to the status of this Delaware corporation as an agency of the United States to carry out all the powers that were incorporated by reference by the Act of January 31, 1935.

Mr. WOLCOTT. All right, that is the charter and the organic act authorizing you to do it. Well, we will agree in 1935 we confirmed the charter of the Commodity Credit Corporation.

Mr. SHIELDS. I believe, Mr. Congressman, you raised some questions yourself at the time. I was reading some of that testimony last night.

Mr. WOLCOTT. Now you take the attitude Congress, in spite of the Delaware charter, cannot limit the operations of that Corporation?

Mr. SHIELDS. No; I do not. I take the position that the Congress has complete authority to limit the operation of the Corporation as an agency of the United States in any way.

Mr. WOLCOTT. And if the Congress has since the confirmation of the charter in 1935 limited the operation or attempted to limit the operation of the Corporation by an act of Congress you take the attitude that the act of Congress supersedes the provision of the charter, don't you?

Mr. SHIELDS. Certainly.

Mr. WOLCOTT. Even to the extent that it might negative the charter and destroy its purposes?

Mr. SHIELDS. Oh, certainly. The A. A. A. Act of 1938 which said you could not sell cotton below a certain arbitrary price was a good example of that.

Mr. WOLCOTT. Now, if the charter was issued by the State of Delaware contingent upon the adherence to certain Delaware laws and the Congress of the United States limited the operation of the Corporation to the point where it could not comply with the State laws what would be your attitude then with respect to the validity of the Corporation?

Mr. SHIELDS. Well, I would say that the Federal law would control at all time in the operation of this Corporation.

Mr. WOLCOTT. All right. Now, here you have a Delaware corporation not chartered by Congress and the condition of the charter is that you shall or shall not do certain things otherwise the charter would be invalidated. Now, if the Congress by an act puts you in a position where you cannot comply with the terms of the charter to the point where it would otherwise be invalidated, do you still think the charter of the Corporation is valid and that you could operate under it in spite of the prohibitions in the Delaware law?

Mr. SHIELDS. If you are saying this, Mr. Congressman, if you are saying that the Delaware charter says the Corporation must do one thing and the Federal law says the Corporation must do another thing and there would be an exact conflict: What would you have left?



Mr. WOLCOTT. You haven't any charter under the State of Delaware because you have rescinded that charter by noncompliance with the charter itself. And if there is a provision in the charter stating if you don't comply with certain provisions of the charter your charter is ipso facto nullified the Congress could do it my limiting your authority to comply with the provisions of the charter, couldn't it?

Mr. SHIELDS. Well, Mr. Congressman, that is a question of corporate metaphysics, and I am not always sure whether this is a purely Federal corporation or a Federal-Delaware corporation, or a purely Delaware corporation. But on the point that is involved there certainly can be no question of the power of the Corporation.

Mr. WOLCOTT. If in your purposes in the charter you state that it is the purpose of the Corporation to stabilize the prices of agricultural commodities—I am just conjecturing—and we will say that is the sole purpose of the charter, to maintain prices of agricultural commodities, and the Congress, as it did in the Price Control Act in subsection (f) of section 2 provides that—

No power conferred by this section shall be construed to authorize any action contrary to the provisions and purposes of section 3 and no agricultural commodity shall be sold within the United States pursuant to the provisions of this section by any governmental agency at a price below the price limitation imposed by section 3 (a) of this Act with respect to such commodity—

then would the provisions of the charter in your opinion take precedence over this prohibition in the law?

Mr. SHIELDS. They would not; if I thought that the prohibition was applicable. I do not think that prohibition is applicable to the Secretary of Agriculture or the Commodity Credit Corporation. And apparently, Mr. Congressman, the Congress did not think so either because on July 22, 1942, after that law was enacted they added to the appropriation item of the Commodity Credit Corporation a provision specifically prohibiting the Corporation from selling farm commodities below parity with certain exceptions. I considered section 2 (f) of the Price Control Act very carefully at the time that the price-control bill was going through, as I know you all did, and the legislative history was quite a contentious provision. It was my considered judgment that that provision was not applicable to the Secretary of Agriculture or to the Commodity Credit Corporation.

Mr. WOLCOTT. Now, is that because the Commodity Credit Corporation was not considered an agency of the Government?

Mr. SHIELDS. It was not. It was because that act gave powers to the Price Administrator and was directed solely to giving powers to the Price Administrator and to actions to be taken by him. And Congress did not intend by that to restrict the operations of the Commodity Credit Corporation.

Mr. WOLCOTT. Now, this law expressly says:

\* \* \* and no agricultural commodity shall be sold within the United States pursuant to the provisions of this section by any governmental agency at a price below the price limitations imposed by the Act.

How do you get around that?

Mr. SHIELDS. We get around it this way, Mr. Congressman, if you want to put it that way: The Commodity Credit Corporation does not sell agricultural commodities pursuant to the provisions of that section.

Mr. WOLCOTT. You know what the Congress intended very clearly in that. The kick I have is in spite of the declared intent of Congress you fellows are defying us and we are going to stop it.

Mr. SHIELDS. Mr. Congressman, we are not selling commodities below parity.

Mr. WOLCOTT. We declared the intent of Congress very clearly in that act, didn't we? And you say that although we declared our intent clearly it does not apply to you because it was restricted to the Office of Price Administration, and we specifically state in this act, and an administrative representative sat in on that conference and knew the purpose of that language, to prevent any agency of the Federal Government from operating contrary to the standards set up in the Price Control Act. And it could not mean anything else.

Mr. SHIELDS. Mr. Congressman, we have tried not only to carry out the expressed intent of Congress but also the implied intent in various statutes. But that law is not applicable to the Secretary of Agriculture or to the Commodity Credit Corporation. As you know there was a great deal of discussion as to the meaning of that, I believe, when it was put in.

Mr. WOLCOTT. There wasn't any question in the minds of the members of this committee and the conference which wrote that language as to what it meant. If there was any question in anybody's mind, it may have been in your minds down there as to how you could avoid applying it as it should be applied. That is the only question involved.

Mr. SHIELDS. There is no question, Mr. Congressman; we do not sell commodities pursuant to that section or pursuant to that act. If you had wanted to restrict the Commodity Credit Corporation, you could have written that in. We would have liked to have had the matter cleared up legally, too, but as a matter of policy we have complied with that because we are not selling commodities below parity except where authorized by the Congress.

Mr. WOLCOTT. Why didn't you come to Congress for clarification of this? When Justice Byrnes found there was some question as to whether rents were included in the Price Control Act of October 2, he did not hesitate to come to Congress, and we had a conference on the clarification of a legal point in that act and this committee took action to do it.

Mr. SHIELDS. Mr. Congressman, if I thought there had been sufficient doubt, I think I would have recommended that.

Mr. WOLCOTT. Surely the discussion of the Congress ever since then with respect to subsidies should have created doubt either in your mind or somebody's mind that there was at least a misunderstanding about this and there was very apparently a misunderstanding about it. All of the trouble with your Corporation has been predicated upon the belief by a large majority of the Members of Congress that you have defied, you and the Office of Price Administration have defied the Congress in spite of the clear indication of congressional intent. Why didn't you come to Congress for clarification of it, and this matter could have been settled a year ago.

Mr. FORD. Let me make an observation. Assuming, Mr. Wolcott, the Corporation is authorized by Congress to purchase at one price and sell at a lower price, providing the lower price is not less than 85 percent or 90 percent of parity, whichever is the law at the present time; under this legislation the Corporation can do that, can't it?

Mr. SHIELDS. Yes, sir.

Mr. FORD. All right. And the simple fact that you call that loss a subsidy does not nullify the Corporation's authority to sustain losses. Is that good reasoning?

Mr. WOLCOTT. Sure.

Mr. SHIELDS. I think so, Mr. Congressman.

Mr. WOLCOTT. But it is not logical.

Mr. SHIELDS. I cannot speak for the Office of Price Administration, but so far as I am concerned, Mr. Congressman, I try very hard to interpret these laws not only in accordance with the letter but also in accordance with the spirit of the law. And I was familiar with that provision. In my opinion, it is clearly inapplicable to this situation.

Mr. WOLCOTT. To what extent does the Refinance Corporation enter into the decision on losses and subsidies by the Commodity Credit Corporation?

Mr. SHIELDS. I do not believe at all. Is that correct, Mr. Hutson?

Mr. HUTSON. I do not know of any connection between any of the program undertaken by the Commodity Credit Corporation and the Reconstruction Finance Corporation.

Mr. WOLCOTT. Has there been any impairment of your capital up to the present time, in view of your losses?

Mr. HUTSON. We have not completed our inventory for last year, and we will not know until we have completed it.

Mr. WOLCOTT. If you by manipulation of those inventories suffered any losses which are chargeable against your capital, then the Reconstruction Finance Corporation and the Treasury is directed to maintain that capital? What is it, \$100,000,000?

Mr. HUTSON. \$100,000,000. No, sir; it is handled this way: In the event of an impairment in the capital structure due to operations of the Commodity Credit Corporation we appear before the Budget in explanation of the impairment, and following that transmission by the Bureau of the Budget we appear before the appropriation committees of the House and Senate and put the situation before these committees, and it has been the practice to appropriate a sum equal to the impairment. In the event there is a profit from the operations of the year we merely transmit the amount of the profits, which last year was equal to the sum of \$28,000,000, roughly, to the Treasury of the United States.

Mr. CRAWFORD. At no time does the Reconstruction Finance Corporation have to enter into that?

Mr. HUTSON. On some operations they act as fiscal agent of the Corporation but their funds are separate and distinct. They share their losses and gains and the Commodity Credit Corporation shares its losses and gains.

Mr. WOLCOTT. Section 3 of Public Law No. 444, Seventy-fifth Congress, provides:

The Secretary of Agriculture, the Governor of the Farm Credit Administration, and the Reconstruction Finance Corporation are hereby authorized and directed to transfer to the United States all right, title, and interest in and to the capital of the Commodity Credit Corporation which each of them now holds. All rights of the United States arising out of the ownership of such capital stock shall be exercised by the President, or by such officers, agency, or agencies as he shall designate, and in such manner as he shall prescribe.

Mr. HUTSON. And the point, if I may interpose, what is being discussed here, while it is interesting to me from the standpoint of law,



I do not think it affects these particular operations that we are discussing.

The CHAIRMAN. I want to ask one question in connection with what Mr. Hutson said, that was with respect to an amendment of an act amending the Agricultural Adjustment Act to which you referred.

Mr. SHIELDS. It was part of our appropriation act, Mr. Chairman.

The CHAIRMAN. Let us see what that was. I just want to be clear in my own mind.

Mr. SHIELDS. All right, sir. The proviso reads as follows—that part of the appropriation item relating to the Commodity Credit Corporation administrative expenses for the fiscal year ending this June 30 reads as follows:

The CHAIRMAN. When was that passed?

Mr. SHIELDS. That was passed July 22, 1942. That was when the appropriation act passed last year.

The CHAIRMAN. All right. What is that provision?

Mr. SHIELDS. It reads as follows:

*Provided further*, That none of the fund made available by this paragraph shall be used for administrative expenses connected with the sale of Government-owned or Government-controlled stocks of farm commodities at less than parity price as defined by the Agricultural Adjustment Act of 1933: *Provided further*, That the foregoing proviso shall not apply to the sale or other disposition of any agricultural commodity to or by the Agricultural Marketing Administration for distribution exclusively for relief purposes nor to grain which has substantially deteriorated in quality or is sold for the purpose of feeding or the manufacture of ethyl alcohol, butyl alcohol, acetone, or rubber, or commodities sold to farmers for seed, and sale of cotton required in connection with the present new uses program being carried on by the Department of Agriculture.

The CHAIRMAN. Your organization appeared before the committee on appropriations when that provision was being considered and adopted?

Mr. SHIELDS. Yes, sir.

The CHAIRMAN. And you were familiar with it at the time?

Mr. SHIELDS. Oh, yes.

The CHAIRMAN. It was put in the bill by the committee?

Mr. SHIELDS. Oh, yes.

The CHAIRMAN. And was it done at the instance of the Commodity Credit Corporation and with your approval?

Mr. SHIELDS. I don't know.

Mr. HUTSON. No. I think that particular provision was worked out in conference between the House and Senate. We had testified before the Senate committee on this item. The language, as I understand it, is the language of the conference group.

The CHAIRMAN. You didn't write the law in conference, did you?

Mr. HUTSON. No; I say this particular language is the language of the conference group.

The CHAIRMAN. Yes; I understand that. It could not have been in the law if it wasn't. What I am talking about is where did it originate? Where did this language come from first? It had to be either in the House bill or the Senate bill, or else it would not be in the law.

Mr. HUTSON. As I understand it, Mr. Chairman, the House inserted the provision that no sales could be made below parity.

The CHAIRMAN. That is what I am talking about.



Mr. HUTSON. And the Senate inserted a provision making certain exceptions. In the conference between the two Houses this particular language was arrived at. I had some discussion with the committee in the Senate.

The CHAIRMAN. I understand that, but the particular language about which we are talking was incorporated in the House and with the approval of and after discussion had by your organization with the committee?

Mr. HUTSON. Well, I would not say exactly with the approval, but after the discussion.

The CHAIRMAN. Well, you didn't disapprove, did you?

Mr. HUTSON. Well, the President approved it later.

The CHAIRMAN. Now, listen, when you were getting that done by the Appropriations Committee you were fully aware of the fact that under the law that existed at that time there could not be a sale of agricultural commodities at less than 110 percent of parity; isn't that right?

Mr. SHIELDS. I know of no such law as that, Mr. Chairman.

The CHAIRMAN. You do not know of such a law?

Mr. SHIELDS. No, sir.

The CHAIRMAN. Don't you know the first Price Control Act provided there could not be a price fixed below 110 percent of parity and that no sale by any agency of the Government could be made at a price less than that? You knew that back there at that time.

Mr. SHIELDS. It did provide that no maximum price could be established below 110 percent of parity or comparable price or other standards that were there applicable.

Congressman Wolcott, my memory is not too clear, but I will check this afternoon. But I believe the conference report on the price-control bill specifically states it is the interpretation of the conference that the provision is not applicable to the Commodity Credit Corporation. But my memory is hazy on it.

The CHAIRMAN. What is that?

Mr. SHIELDS. I believe the conference report on the price-control bill has something to say about this provision not being applicable to the Commodity Credit Corporation. I will check it.

Mr. WOLCOTT. I think I can clear that up because unless the conferees had something slipped over on them no conferee that I know of would have signed any such conference report.

The CHAIRMAN. Certainly.

Mr. SHIELDS. I may be wrong. I had nothing to do with the writing of the bill or the report or anything else, as you know.

The CHAIRMAN. The matter was discussed in this committee. I called attention to it. Mr. Crawford and I discussed this when we passed the first Price Control Act and these limitations for the protection of agricultural products. I said, "Mr. Crawford, we won't know what they have done unless we use such language here that will nullify any such authority that might exist somewhere else because we have given so many authorities here there is no telling what we have done. And so to safeguard against that and prevent it we wrote that language into the bill. That was understood by everybody.

Mr. SHIELDS. I recall the discussion very well.

Miss SUMNER. Who wrote the report of the conference committee?

The CHAIRMAN. The draftsman over there.

Mr. SHIELDS. I had nothing to do with it.

Mr. MONRONEY. Getting down to the mechanics of this thing if what Mr. Wolcott says is true you have no authority even to sell below a price of 100 percent of parity, which is the bill as it now stands. The only case in which you are violating that would be in the case of that which is sold for flour slightly below 90 percent; is that right?

Mr. SHIELDS. Mr. Congressman, the Price Control Act, as you know, was amended in October, and the 110-percent provision was changed to parity.

Mr. MONRONEY. Yes.

Mr. SHIELDS. The law that specifically covers such change which I have just read permits the sale of wheat at 85 percent of corn parity for feed.

Mr. MONRONEY. For feed?

Mr. SHIELDS. Yes.

Mr. MONRONEY. Are you selling it below that for flour?

Mr. SHIELDS. No; we are not.

Mr. MONRONEY. But you are selling at less than parity?

Mr. SHIELDS. No; we are not.

Mr. HUTSON. Except as specifically directed by Congress for feed and for alcohol.

Mr. MONRONEY. Where under the law, even if it is as Mr. Wolcott says it is, are the provisions of the Price Control Act being violated by your operations, unless they are selling at less than the agricultural provision in the Price Control Act then they are not violating any law.

Mr. WRIGHT. That becomes a very moot question.

Mr. WOLCOTT. Yes; it is a very moot question.

The CHAIRMAN. Whether or not you have done it or not it is well to anticipate what may be done. That will be a matter for the committee to consider.

Mr. MONRONEY. There was discussion of the vast stores they had.

The CHAIRMAN. That was one thing.

Mr. MONRONEY. As I recall, that was the only discussion.

The CHAIRMAN. It was an effort to safeguard and make effective the farm price protection provision of the Price Control Act. That was what we were trying to do, and in which we did not succeed.

Mr. WOLCOTT. Section 4 of the act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by deleting the term "\$2,650,000,000" and inserting in lieu thereof the term "\$3,650,000,000." That is an increase of a billion dollars?

Mr. SHIELDS. That is right.

Mr. WOLCOTT. Now, the necessity for this increase is the extension of the Commodity Credit Corporation's activity?

Mr. SHIELDS. I would not say that. Mr. Hutson can speak to that point better than I can, Mr. Congressman.

Mr. HUTSON. Regardless of how the decision goes with respect to the purchase and resale of commodities for less than the purchase price, approximately this sum of money would be needed to carry on the operations of the Corporation. I tried to make clear as I have testified that most of the funds requested would be to carry on the regular operations of the Corporation.

Mr. WOLCOTT. Then do you anticipate a billion dollar loss in these operations?

Mr. HUTSON. No. In the first page of my statement of yesterday I indicated that, in my judgment, the losses in relation to the volume would be no greater during the coming year than during the early years of the Corporation, and during those years the losses in relation to volume average somewhere in the neighborhood of 8 percent. I do not think that any substantial part of this billion dollars that we are talking about would be losses in connection with the so-called subsidy operation.

Mr. WOLCOTT. Is the interest and other carrying charges on your obligations provided for by Congress or do you pay them out of your profits?

Mr. HUTSON. We pay that. That is part of the operating expenses and would come out of profits.

Mr. WOLCOTT. As you increase your availability or as you increase your loaning power potentially the carrying charges and the interest charges are proportionately greater and the effect on your capital is proportionately more serious?

Mr. HUTSON. No.

Mr. WOLCOTT. What I was getting at is this. Your operation at the present time in respect of these questions we have been discussing here has to do with buying commodities at a high price and selling them at a lower price, entailing a very definite loss to the Commodity Credit Corporation. There is no way for you to recapture that loss. If you buy a commodity for a dollar and sell it for 90 cents, that is a loss of 10 cents.

Mr. HUTSON. That is correct.

Mr. WOLCOTT. You have no way of balancing that off, have you?

Mr. HUTSON. In some of the operations there are profits, as I will bring to the attention of the committee before I conclude my statement. These losses to some extent might be offset by profits, but we would make a full explanation of the full amount and how much was offset by other items.

Mr. WOLCOTT. And the subsidy program, if we may call it that for the purposes of convenience, that operation is set apart from your other activities and must of necessity entail losses which would be computed by finding the difference between what you buy a commodity for and what you sell it for?

Mr. HUTSON. Under the operations for that particular program our books would show that as a loss. That would be combined with other operations in a summary statement and might or might not appear as a loss. But if you ask for each program separately that would show as a loss.

Mr. WOLCOTT. And there is a comparable impairment of your capital, is there not?

Mr. HUTSON. That is correct.

Mr. WOLCOTT. And you have authority under existing law for the appropriations of moneys from the Treasury to maintain your capital of \$100,000,000 at all times?

Mr. HUTSON. We have a direction under existing law for an appraisal annually by the Treasury Department, and following that appraisal we have authority to request the Congress for an appropriation to make up any impairment in capital.



Mr. WOLCOTT. The law says in that respect and I will read again from Public, No. 442 of the Seventy-fifth Congress:

That as of the 31st of March in each year and as soon as possible thereafter, beginning with March 31, 1938, an appraisal of all the assets and liability of the Commodity Credit Corporation for the purpose of determining the net worth of the Commodity Credit Corporation shall be made by the Secretary of the Treasury. The value of assets shall, insofar as possible, be determined on the basis of market prices at the time of appraisal and a report of any such appraisal shall be submitted to the President as soon as possible after it has been made. In the event that any such appraisal shall establish that the net worth of the Commodity Credit Corporation is less than \$100,000,000, the Secretary of the Treasury, on behalf of the United States, shall restore the amount of such capital impairment by a contribution to the Commodity Credit Corporation in the amount of such impairment. To enable the Secretary of the Treasury to make such payment to the Commodity Credit Corporation, there is hereby authorized to be appropriated annually, commencing with the fiscal year 1938, out of any money in the Treasury not otherwise appropriated, an amount equal to any capital impairment found to exist by virtue of any appraisal as provided herein.

Now, the Treasury is obligated under this law to keep your capital unimpaired at \$100,000,000 and any losses which accrue to the Corporation are reflected in an impairment of your capital so ultimately the Treasury will have to raise the money to meet whatever losses accrue from your transactions, wouldn't it?

Mr. HUTSON. That is correct.

Mr. WOLCOTT. And the only way that the Treasury has of getting the money with which to maintain this capital is either by taxation or the sale of obligations of the Government, that is right, isn't it?

Mr. HUTSON. I think that is correct.

Mr. WOLCOTT. Fundamentally.

Mr. HUTSON. Yes, sir.

Mr. WOLCOTT. Now, in respect to the last bond campaign which was very successful from the standpoint of volume of sales inasmuch as the program called for the sale of \$13,000,000,000 in obligations and, as I understand it, there were actually sold somewhere in the neighborhood of \$18,000,000,000 worth of bonds, only \$3,000,000,000 of the 18 billion was purchased by the public. And inasmuch as the budget of that campaign called for the sale of at least \$5,000,000,000 worth of bonds to the public it was not successful as a device to stop inflation. A large portion of the bonds sold in that drive were purchased by commercial banks, weren't they? And the commercial banks used the direct obligations of the Federal Government as security for the issuance of Federal Reserve notes and the creation of other currency and credit. So if the Treasury has to raise the money by the sale of bonds which are bought by commercial banks to provide for subsidies to cover the losses in these transactions the machinery by which that is done ultimately, I won't say the "machinery" but ultimately that transaction is inflationary.

Mr. HUTSON. That is your statement, and it is a very interesting line of reasoning.

Mr. BALDWIN. Mr. Wolcott, may I make one observation about your observation about bonds bought by the public. I do not know how many were bought by the workers in industries, or what percentage they bought. But it is very prevalent, if you talk to any of them. I am familiar with it. A great many of the employees are keeping them just the required length of time and selling them and the reason



they are buying them is because they are required to do it by management. The Treasury Department would not reflect the actual amounts kept after the limit they have to keep them, would it?

Mr. WOLCOTT. Yes; I have had that called to my attention and the amount of it is known to the Treasury because, of course, they know the transfers from private ownership to bank ownership within a given period and they have, I assume, figures on that, and they are rather alarming. But I guess it is something we cannot help but we ought not to kid ourselves into thinking that merely because a person is putting 10 percent of his salary or wages into Government obligations that it stays there. The program is a commendable program because a lot of it stays in private hands.

Mr. MONRONEY. The ordinary worker cannot sell his bonds to a bank. They have to turn them back directly to the Treasury. Most of what they are buying is not negotiable and the Treasury has the definite figures on the turn-ins.

The CHAIRMAN. The committee will meet at 3 o'clock.

(Whereupon the committee recessed until 3 p. m.)

#### AFTERNOON SESSION

The committee met at 3 p. m., pursuant to adjournment, Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. Hutson, I suggest that you resume your statement.

#### STATEMENTS OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION, AND G. E. RATHELL, DIRECTOR, COTTON DIVISION, COMMODITY CREDIT CORPORATION

Mr. HUTSON. Mr. Chairman, there are two additional special programs that I want to bring to the attention of the committee.

In the fall of 1942, in some areas of the country the prices of dairy cattle were below beef-cattle prices. Consequently, some dairy cattle were being sent to slaughter. A program was worked out in cooperation with the Farm Security Administration under which dairy cattle suitable for dairy production were purchased and prevented from being slaughtered. The purchases were made at beef-cattle prices, which as I have indicated, in some cases were above the dairy cattle prices.

The dairy cattle in turn were sold at dairy cattle prices prevailing in the region.

In all, 21,329 head of dairy cattle have been purchased.

The CHAIRMAN. How many?

Mr. HUTSON. 21,329 head. The estimated loss on these dairy cattle is about \$270,000.

Since this program was inaugurated—

The CHAIRMAN (interposing). Where were they bought?

Mr. HUTSON. I think in practically every State in the Union, there were a few. I will be glad to supply it for the record by States. I do not have the information by States with me. I will be glad to do that.

The CHAIRMAN. Let that go in the record.

(The statement referred to appears on p. 166.)

Mr. HUTSON. Since this program was inaugurated, the prices of dairy cattle have advanced and at the present time this project is being reviewed for the purpose of determining the need for its continuance.

The whole point of it was to prevent a shortage of milk and if a large number of dairy cattle had gone to slaughter, some areas would have been short of milk. We went in through this arrangement that I have indicated when a good dairy cow was to go to slaughter because the price of that cow for beef was higher than the farmers, at the prices being paid there, could afford to pay for dairy production, and that cow was bought and resold at the prevailing dairy cattle price, and the range was somewhere from \$5 to \$15 a head.

They were resold and kept in dairy production.

The CHAIRMAN. How did you resell them?

Mr. HUTSON. What do you mean?

The CHAIRMAN. How did you resell them?

Mr. HUTSON. Let us look at it this way: A man had a dairy herd and he decided to go out of dairying, and he would indicate that he wanted to sell his dairy herd. The first step that was made was to find out why he wanted to sell his dairy herd. If it was a question of labor an effort was made to get him some labor but if there was some other reason that we could not meet in any way, and he said that these dairy cows must go to market, and someone offered him more to slaughter them than that herd of dairy cows would bring as dairy animals, and they were proven to be good dairy animals, good for milk production, they were bought in at the beef cattle price, so that the farmer could not lose anything on the transaction, and then we went over to a neighboring farm and got this neighboring farmer to take them at the dairy cattle price which in some areas of the country——

The CHAIRMAN. One cause of that was the shortage of labor?

Mr. HUTSON. That was one of the causes.

The CHAIRMAN. And still part of them were increasing their demand for labor every time one of them sold his cattle and dispensed with his labor?

Mr. HUTSON. It would be a particular situation. A man's son would be drafted or the hired man would go to the factories, or something of that kind, but there was a place to absorb those cows on other farms in the community.

Miss SUMNER. May I ask, would there have been any of those cases—— would a rise in the price of the milk or cheese or whatever it was that the dairyman was selling, would not have taken care of the situation so that he or somebody else would have been willing to keep or sell the cattle at dairy cattle prices?

Mr. HUTSON. I think that you could say in all cases——

Miss SUMNER. I am trying to find out whether in that situation it was necessary for the Commodity Credit to come in and subsidize or whether the same situation might not have been taken care of by a rise in the price of milk?

Mr. HUTSON. Obviously, there would be a relationship between the price of dairy cattle and the price of milk, and if the price of milk had advanced sufficiently the prices of dairy cattle would have advanced

until an animal for milk purposes would have sold for more than it would for beef.

Miss SUMNER. Thank you.

The CHAIRMAN. The fact is, is it not, that more dairy people were affected by the matter of labor than anything else in going out of business? They experienced the same difficulty that farmers did generally with respect to labor?

Mr. HUTSON. That is right.

The CHAIRMAN. And that being the case, I do not know how you would cure it by transferring the cattle from one place to another, because they were all up against the same proposition, the dairy people.

Mr. HUTSON. In many cases, Mr. Chairman, there would be a farmer here that had, we will say, 20 cows, and the neighboring farmer had 20 cows, and his neighboring farmer, because of the size of his family or his labor force could increase his up to 40 cows.

The CHAIRMAN. How did you find out about that situation?

Mr. HUTSON. That came to us from public-spirited people, farmers, and others, all over the country. Last fall there was a great deal in the press, if you will remember, about good dairy animals going to slaughter.

The CHAIRMAN. I am just wondering how you and the Farm Security people got in touch with these people who wanted to sell the dairy cows.

Mr. HUTSON. Well, the local Farm Security people would notice when a man was advertising his cows for sale or a man would come into the county office and say, "Could you help me find a buyer for my cows?"

The CHAIRMAN. Did that particular line of service fall within the jurisdiction of the Farm Security Administration?

Mr. HUTSON. Well, they helped in the administration of this program because they had a field organization and we did not.

The CHAIRMAN. Was that the clientele that they were trying to restore to better economy, were they not?

Mr. HUTSON. That is primarily their job, but most of the agencies, Mr. Chairman, in this war emergency, have gone as far as they have felt that they could in trying to get increased production, and that was the real purpose of this.

The CHAIRMAN. I did not mean to stop you too long with that discussion.

Miss SUMNER. Has that program been discontinued? Is it not a fact that at the present time the dairy cattle are still being slain, being sent to market, in order to get beef prices?

Mr. HUTSON. At the present time, well, since last fall, since this program has started, there has been, as I understand it, a substantial advance in the prices of dairy cattle, and it is my impression that they have now reached such a price level that in not many cases is a good dairy animal bringing more for beef than it will for milk purposes.

We have not reached a final decision on this. I recently asked for a report on it.

Miss SUMNER. Are you informed with respect to the situation where they sell the dairy calves that come in for meat rather than keeping them?



Mr. HUTSON. That is a part of this program. This number of head includes the calves, and a good portion of these were calves.

There is more justification from such study as I have given to it recently, for something in the calf line, preventing a calf from going to slaughter, than there is on the dairy cows. I believe the prices are sufficient now, and I will say that I have not completed the study on it but my preliminary judgment is that the prices of dairy cows as such have reached a stage that they will not be sold.

I am greatly concerned about the calves.

Miss SUMNER. Well, when I was home I can say, the farmers were all gossiping about the fact that that was a dangerous situation and that it was happening, that the little calves were going to market and could just as well be held to create more dairy herds.

Of course, they get more milk that way.

Mr. HUTSON. Well, I think that certainly we should not permit young dairy heifers to go to slaughter in this country, if they are from good breeding. I think that the need for milk has increased, and I may say that any agency, and I am indicating my personal belief on this, Mr. Chairman, is justified in using all of its powers to protect the situation of that kind.

The CHAIRMAN. Well, I am wondering if you have not protected them against the O. P. A.

Mr. HUTSON. Well, you get over there in an operating job, Mr. Chairman, and I am sure that you will realize the difficulties.

The CHAIRMAN. If I understand it, you are protecting them against the O. P. A., and the O. P. A. changes the policy and takes it away from you, and now it is up in the air and we do not know what the future policy will be.

Mr. HUTSON. You get on an operating job, in an executive branch of the Government, and feel the responsibility for accomplishing a certain objective, and you do not figure too much about how it got that way, you figure, "What can I do to help it out?" That is about the way you figure it out.

The CHAIRMAN. If he puts them out of business, you try to rehabilitate them and help them out.

Mr. BALDWIN. Along the line of this, I guess Mr. Hutson is familiar with how the Farm Security handles that situation, and just what they have been doing, and the practice I know in the Eastern States, is that no dairy cow that is what you call fit for dairy purposes, that has not sold for at least \$150 to \$225, for quite a while.

Now, the Farm Security in our section has been going to people who, with 25 or 30 cows, always have 1 or 2 go bad—udders or something that they are not profitable, and they should go to slaughter; it is the only place for them to be, but they buy them from the dairy at market meat prices, and then keep them producing.

They will come to another farmer, and some of the farmers are organized to do it, and they have been doing it, and sell them to him for half price or 60 percent of the meat price on the theory that they are not 100-percent producers; but to keep them in production they will sell them at a discount, with no requirement that he keep them.

Well, the next day or the next week, when the transaction is made, and he gives \$60 for a cow that costs the Government \$100, for the



Farm Security, that farmer loads her in a truck and takes her down to the slaughterhouse and gets \$100. I know that that has happened. I don't know whether you know it or not.

Mr. HUTSON. I did not know until you told me. I will take your statement of fact on it.

Mr. BALDWIN. We have heard of some people that will not test for Bang's disease, and in Maryland they do; the herds are clean of Bang's disease, and they have a herd that they cannot sell to anybody else because it is diseased.

Well, now, the Farm Security Administration comes in and buys them because it is the only place that they can sell them, is at the stockyard, and the farmer who is laying for that sort of stock will take it off his hands, and as soon as he clears the transaction, he will immediately get rid of it for beef, and there are little organized groups that are quite disturbing for the farmers in my section because they know of the good farmers with what some of the fellows who cut corners are doing, and I do not know whether you knew that.

Mr. HUTSON. Is that the exception or the rule out in your section?

Mr. BALDWIN. I know it has been done quite frequently; but, of course, they have gone to stockyards and bought those kind of cows and brought them back.

Mr. CRAWFORD. If we leave the gate open, Mr. Hutson, so that transactions of that kind can be made, is it not the perfectly natural thing under our rules of industrial and commercial procedure for that very type of transaction to become the custom rather than the exception?

Mr. HUTSON. Well, I do not think that—

Mr. CRAWFORD. I say, if we leave the gate open for them?

Mr. HUTSON. Well, I do not know exactly what you mean, Mr. Congressman.

Mr. CRAWFORD. I will make it very clear, because I think it is fundamental to this whole thing. If the Government comes along here and sells me grain or poultry or hogs or horses or bulls or cows at a below the going market price and leaves it within my power, without any controlling restraints, to trade and traffic in those livestock or other commodities, will I not under our capitalistic system and profit incentive proceed to get as much profit out of that as I can and to commercialize the proposition? You can understand that question.

Mr. HUTSON. Yes; I do not think that the implication of the answer necessarily follows. I think that you can have a type of administration that would protect it, and I am sorry to learn that in some areas it has been misused, and I will admit readily that the situation as just described is one that cannot be defended.

Mr. CRAWFORD. When you say a type of administration which will prevent that, the very minute that you bring in that type of administration which prevents it, it closes this door that I am talking about being left open, so, of course, it would not happen in that case.

Mr. HUTSON. I think that you can do that.

Mr. CRAWFORD. My next question is going to be this:

Assuming just for argument's sake that transactions of that kind have taken place, do you know of any way, as Administrator of your particular operations, to prevent that, not completely or 100 percent, but let us say 95 percent?

Mr. HUTSON. Yes; I think in large part that you can prevent it. You could at least instruct the man not to do it, and all other people engaged in operations of this kind, not to undertake projects like the one that has just been described. You can do that through legislation or administratively.

Mr. CRAWFORD. I think that you would have to get it through administration, because we might go one step further.

Let us assume for argument's sake that we place, say, 500,000 head of these cattle through F. S. A. operations out on the farms, on the basis of \$60 cost to the farmer, it gets to a \$100 market price, and suppose within the next 12 or 18 months the market price goes to \$150 or \$200, the market price being the open price or the black-market price, what are you going to do with that thing?

Now, to me these questions are very real. These transactions are very real because I was raised in the cow country and I handled a few of the critters myself, and I think if you had the personnel to go and check you would find a lot of this stuff going on.

I do not know any practical way that you can stop it, myself.

Mr. HUTSON. I do not know of any more difficult program to administer than this particular program that we are talking about because of the possibility of these things that we have just referred to.

Mr. BALDWIN. I think that your idea with calves and heifers is all right, but from a practical standpoint and as a policy, no farm or dairy, even though he gets a cow for \$50 that cost the Government agency \$100 is going to keep that cow and feed her, with feed at the price that feed is now, with a 50-percent reduction. He just will not do it, and the only reason he is going to take the cow and would take her is to make money in that way, because it would not be profitable for him to keep that cow for 2 years, she is a cow that her udder has gone bad or everybody having 30 or 40 head of cows will have a couple of them that they have just got to get rid of them, and they are not profitable producers, and it would not be profitable if I got her for nothing, so the only reason I am going to buy her is to do something like that.

That is the thing that I thought you did not know what the F. S. A. were doing. I do not know how extensive; there was such a furor been raised about it; but if they continue to do it, the same thing is going to happen because the farmer just will not keep a cow and feed it at high prices.

Mr. HUTSON. I can assure you that practices such as you have referred to will not be continued. They are not in accordance with the instructions in regard to the program, but aside from that the entire program is up for review.

Mr. BALDWIN. I think it was an idea of the F. S. A. to do that. I am not saying, I think that they told the Commodity Credit Corporation that they were doing something worth while.

Miss SUMNER. Mr. Chairman, I have a question. This is the only cattle program that you have, the one mentioned on page 12?

Mr. HUTSON. That is correct.

Miss SUMNER. Well, this, of course, was something that everybody was talking about at the time, and they are still talking about it with respect to calves, but the more glaring food problem that we talk about is the one with respect to beef cattle, where the ceiling on finished cattle, the price of finished cattle that the farmers feed is the

same per pound that it is of the small steers that they get out on the range where they can be fed very cheaply so that there is not enough difference in price to pay the farmer to take them and feed them and finish them in the regular way.

Now, that is glaring and spectacular and the reason in most people's mind for the fact that we have not enough beef, and it seems to me that you would take this program here in your hands and not have taken the other cattle program, since it would seem to point to the same kind of a solution under the same principle.

Have you done anything about that, or considered that, or have you discussed that?

Mr. HUTSON. Well, that disturbed me for some time. I think that we can say that looking at it from the standpoint of the health and well-being of the Nation, if you must choose between taking action that will keep more cows in milk production or feeding beef cattle out to a heavier weight, that the case is not close, that you have to decide in favor of the dairy cattle.

Miss SUMNER. I agree with you. It takes several years to build up a herd, I appreciate that.

Is that the only reason that you have not considered it?

Mr. HUTSON. Well, there is this further problem:

With the present numbers of livestock that we have in this country, which is larger than it has ever been by a considerable margin, and with the facilities that we have for producing feed for livestock, which are also greater than we have had at any previous time, and with the stocks of grains that we have, which are also at nearly record levels, it is going to be exceedingly difficult to continue to produce enough feed to continue to maintain these livestock and if you begin to rate the most efficient uses of your feed that you have, over at one end you will put dairy cattle, that is feed for dairy cattle, and over at the other end you will put the last 100 pounds of finish that you put on choice beef steers.

All of us like the better steak, but that is perhaps the least efficient use that is made of the feed.

Miss SUMNER. Yes, but it seems to me that your approach there, you are acting as if you had an alternative, two choices, the choice was between two things, both important but one more important than the other, whereas it seems to me that you have a quite different approach there from the fact that you have plenty of farms that have the feed.

Now this year for instance we have got a terrible drought out in Illinois. The chances are we will have a lot of ensilage, and we will have a lot of feed absolutely going to waste, because we have not the usual cattle on the land, and we would be feeding those cattle if it were not for that unaccustomed lack of spread between the steers and the finished cattle, and, in other words, there is no choice for a large number of the farmers whether they put food in dairy or sell it for dairy purposes and then whether they put it into cattle.

It is a matter of whether they will use the feed that they have or not use it, at a time when the country needs the meat so very badly.



Mr. HUTSON. If a situation like that prevails in any considerable area, I think that some action is warranted.

Miss SUMNER. I assure you that that situation is so.

Mr. HUTSON. I am surprised to learn that there is any substantial area in which there is feed that there is not livestock there to utilize it. I think one of our problems is to get the feed for the livestock that there is in the country.

Miss SUMNER. I would like to take a national view but I think that your own district sort of indicates your national view. My district, if you will excuse it, is not a large cattle-raising district but it does have quite a few farmers who raise a large amount of cattle ordinarily. They think it is good for their farm, you will appreciate the land, and for various reasons they feed cattle every year.

Now, the big feeders in our district, and many of the little feeders, are not feeding cattle in the regular and usual way, because of that very circumstance.

Now, it is very well to say that we are raising more cattle than we have ever raised before, but the question is, Are we raising as much as we could raise, and that is the goal to look at, is it not?

Mr. HUTSON. I wish that I could think that we could maintain livestock production at very much above present levels, but I think that we have been very fortunate in getting high yields of feed, and I think it is going to be exceedingly difficult to do it, and it means we must utilize every pound of feed that is produced this year, in producing livestock products.

Miss SUMNER. What are you going to do about that ceiling thing? I have personal knowledge of some of my neighbors, and some of my friends, that are not raising their usual cattle, and I know one man who would be ordinarily raising \$25,000 worth of cattle, I mean when he originally buys it, it would be considerably heavier than that when he has finished it but that man is not doing it and there are several that are not doing it and now if that is in my district it must exist in other districts.

There is no reason why my district should be peculiar in that.

Mr. HUTSON. You would be in an area that would be getting relatively high prices for corn this year, and I would not be surprised to see some more feeding in some of the other areas that are not quite so favorably situated with respect to the price of corn.

The statistics show that there are more beef cattle on feed now by some 5 percent than there was a year ago. I am not familiar with the break-down of these by States and areas.

Miss SUMNER. Understand, I am not discounting your reference, I am praising you, but I keep always my eye on the thing that you could do and when you do not do it, I suggest that you do.

My people, and this is not a local thing either; I have seen editorials in the Chicago Tribune, and editorials in other papers, and I think the Growers' Journal carried an editorial, to the effect that that one thing keeps the people, the farmers, from raising their ordinary amount of cattle.

It seems to me that that deserves an investigation and perhaps an effort along that line.



Mr. HUTSON. There undoubtedly are some areas in which a situation such as you describe exists, but by and large, a large proportion of our total feed is going into beef cattle and perhaps it is in the national interest to have it go into beef cattle.

Now, maybe some action is needed in local areas, but by and large I think most people who have studied it from a Nation-wide standpoint would come to that view. That is, considering or looking at it from the standpoint of maintaining our people in the best health, and all of that, as large a percentage is going into beef cattle as perhaps should go into it.

Mr. BALDWIN. Is not that brought about by the normal demand for feeders, that makes the price of feeder steers practically as high as the price of fat steers, and the shortage would be in the feeder steers which would make it impossible for your constituents to do that?

Miss SUMNER. No; you have got the wrong slant on that. They tell me that these steers at this nice choice price are going straight to the Chicago market, and slaughtered just as your calves in the dairy industry are slaughtered for meat.

They are not going to people who are going to fatten them.

You are losing meat because steers are slaughtered at small weights instead of waiting to be finished off and fed and slaughtered at large weights.

Mr. BALDWIN. Is not that because the feeder steer and the feeder steers are high because of the abnormal demand?

Miss SUMNER. You said that it must come from the competition of people wanting to do the feeding and it is not, it is coming because they get the same price on the Chicago market that they could get from selling to people who wanted to fatten them, which is an unusual circumstance, and consequently they sell to the market which is easier.

Mr. HUTSON. If we had an unlimited supply of feed, the situation would be changed somewhat from having excessively large numbers of livestock and limited supplies of feed. We have got to in this country, perhaps for the first time that I can remember, begin to think about how to use the feed that we can produce most efficiently.

We are the one country that is carrying a big part of the burden of this war, that has not already turned to some extent from the animal source of protein and fat to the vegetable source.

To the extent that you can make some shift without impairing the diet of the people, you can produce a given number of pounds of protein, and calories, and that sort of thing more economically in the form of vegetables than in the form of animal fats.

Miss SUMNER. Now, there, you are getting onto my pet subject, because I am not a Seventh-day Adventist and I know that some people feel very religiously on that; I spent a summer in Battle Creek, and I know that there are a lot of people that have nice health not eating meat but at the same time it never occurred to you that one reason our people are so energetic is that there is this toxic quality to meat, maybe that is not the word for it, but it does give an energy that just plain milk and cheese diet does not give, and that is why I am particularly concerned on this meat problem and have been ever since we had the first price-control bill.

Mr. HUTSON. I think that there is a point there, and I would like to have you continue.

Mr. KUNKEL. I talked to some of the men down in the Office of Price Administration about this program, and they indicated that they had this in mind:

They are perfectly willing, as long as they can get the meat, they are not worried so much about the quality, and they think that compared to the amount of feed that goes into the cow you get more meat if you don't put on this fancy finishing process at the end which in the main makes you real top cuts of meat.

Miss SUMNER. I think somebody sold some professor a bill of goods if they sold them that idea, and I am sure that any farmer who is accustomed to feeding cattle would say so because you do not get the meat that way.

Furthermore you are letting all of this natural food, ensilation and cornstalks and all of the rest of it, go to waste.

Our cornstalks went to waste because we did not have the cattle to eat them. That is not food that is being saved for something else, that is food that is just simply going to waste, when the people could just as well have the meat.

Mr. HURSON. Well, to the extent that feed would go to waste, obviously it could be used to advantage as long as you can get 1 pound of beef for 20 pounds of feed but there is a point at which it is less efficient to put on those last 100 pounds.

Miss SUMNER. There is a point when any good businesslike farmer knows the cattle are ready for the market but my point is that that point is not reached when you have cornstalks on the ground they can eat, ensilage in your silo, and over at the elevator you have corn that is getting worms in it that the cattle could just as well eat.

That was the situation last year.

Our people feel so seriously about it, I have emphasized it because I think it is important, our people feel so seriously about it that they think it is a racket on the part of the cattlemen who are getting free pasturage in the West, and they cannot see any other logical explanation for it and they think that there is somebody that has some political influence.

Mr. CRAWFORD. Let me add another element.

You take the livestock and I am now speaking of feeders, off the Iowa and Illinois and Minnesota and Missouri farms, and they are liable to move the fertilizer that moves from the livestock feeder operations from those farms in a few years, and see what happens to your production. We ought to be able to learn something from Germany in that respect.

Miss SUMNER. That is elementary to our farmers.

Mr. CRAWFORD. If any Government agency feels that it is fine stuff and smart business in the winning of a war, in blacking out the feeder industry of this country, if that is so, I think it is time for us to sit up and take notice. If such a thing is taking root to me it is fantastic, and it is certainly something for us to take action on.

Any man that has run a farm and thrown his fertilizer back on the farm knows that, and here you have got a call from the British Isles alone for a tonnage of superphosphate that is greater than the total capacity of our whole United States, and we are talking about eliminating the feeder industry.

Mr. HUTSON. I am certainly not talking about eliminating the feeder industry. That is a very important part of our economy, the feeding out of beef cattle, a very important part, and needed during the war as in peace.

The only point I was suggesting was that there is a point in feeding livestock in which you utilize feed less efficiently than you would if you stopped in the earlier stages.

Miss SUMNER. Every experienced farmer knows when that point is reached and he immediately ships his cattle.

Mr. HUTSON. That is right.

Mr. CRAWFORD. When I said "you" I mean "we." I mean that we are talking about that.

Miss SUMNER. We really mean O. P. A.

Mr. CRAWFORD. May I make a request here, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. CRAWFORD. If it is possible for you to do so and if the committee will permit, and it is possible for you to do so without extraordinary effort, would you mind putting in the record a copy of such subsidizing contracts as we call them, as you may have in operation between Commodity Credit and these various groups who may be receiving supporting benefits?

Do I make myself clear?

In other words, if you have a contract running between Commodity Credit and milk distributors or producers, put one of those contracts in the record.

If you have one covering wool or canned goods or any other type of operations such as you refer to here in your remarks, have you such contracts in existence?

Mr. HUTSON. They are essentially contracts. They consist of an offer. They are not very voluminous. We can cover the entire thing in a relatively few pages. It is not a difficult assignment.

Mr. CRAWFORD. But you do use a form?

Mr. HUTSON. Well, we make an offer in connection with it, that states the terms of the offer, and as I understand you, you want the terms of these offers, and it will not be, it might run into 10 or 15 pages to get all of them, that represent the so-called purchase and sale that are made at approximately the same time.

I think that that is the kind of transaction that you are concerned with.

(Offers of Commodity Credit Corporation on milk, cheddar cheese, hogs, and vegetable oils appear on page 155.)

Mr. CRAWFORD. Now, may I ask you this, a question about one of your operations.

Some weeks ago I was called down to the conference room in the south building of the Department of Agriculture, and sat in on a conference where Mr. Grover Hill acted as chairman, and which had to do with the purchase by the Government of wool, and as I grasped the situation there that day the wool growers, the wool processors felt that there was ample market for the 1943 clip of wool, but that they were concerned about what might happen as the war progresses and as we would move into the post-war period.

I believe since then the question has come up and in connection with this bill, as to your potential activities with reference to permitting Commodity Credit Corporation to purchase wool beyond the 1943 crop,



which means also beyond the expiration date of the Commodity Credit's life as the law now stands.

The Commodity Credit's reply in substance is to the effect that it buys these commodities on a year-to-year basis and does not commit itself beyond, we will say, the current year.

Now, my question is this:

Assuming that the life of the Commodity Credit is extended, are you in position to make a commitment for Commodity Credit Corporation in connection with its operation, to say that you can protect wool growers beyond the 1943 crop, or are your policies such that although the Commodity Credit is extended, let me see what this bill calls for, that is to 1947, are your policies such that you still must not commit yourself beyond the 1943 crop of wool?

Mr. HUTSON. We have an arrangement worked out for the 1943 crop. We could have made a conditional commitment for later crops of wool, by conditional commitment I mean a commitment conditioned upon there being an agency to carry out the commitment.

There is no difficulty from the standpoint of misunderstandings, if you confine your commitment to the period that Congress has authorized you to continue to operate. You may mislead someone if you make commitments beyond that time, though you put a conditional clause there, because somebody is likely to overlook that conditional clause.

So far as it being possible to make this commitment I would say yes, it could be made. I would want to study the proposition a little bit more before I would say definitely that we would make a commitment in this particular case of wool, covering the entire period that Congress extended their life.

Mr. CRAWFORD. Now, let me direct your attention to this.

On pages 4494 and 4495 of the May 14 Congressional Record. Senator Wagner has included in his remarks a letter from Chester Davis, and could you go so far as to tell us that you will give this consideration and insert in the record a statement dealing with it?

Mr. HUTSON. I will do that, sir.

Mr. CRAWFORD. I do not know what to say about it until after you have given it consideration but in view of the fact that Senator Wagner has made it a matter of record, and this letter has been passed along by Mr. Davis, it seems to me that it would add to this bill directly because it is all being considered in connection with this extension.

Mr. HUTSON. Why, of course, I can go so far in this statement as Mr. Davis goes in his letter.

(The statement appears on p. 138.)

Mr. CRAWFORD. Now, let me ask you this question:

Let me get your reaction to this:

Where the grazing help is available, that is where herders can be obtained in the sheep range country, the costs have gone up from 40 to 65 percent, I am informed.

Now, you are buying at the ceiling price, is that correct; you are purchasing wool at the ceiling price?

Mr. HUTSON. I think about 1 cent a pound under the ceiling price.

Mr. CRAWFORD. One cent a pound under the ceiling price?

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. Now, in view of the fact that you are taking over the whole province, as I understand the approach; is that correct?



Mr. HUTSON. We are purchasing all wool that sold after April 24; I think that that is right.

Mr. CRAWFORD. In view of the fact that you are taking over the whole crop and buying at ceiling or less, as these advancing costs put the grower in the squeeze, and you are not moving above ceiling price, how do you propose to apply the subsidy or the benefit, or whatever you want to call it, to the wool grower in order to take him out of that squeeze?

Mr. HUTSON. I was not aware that there was a squeeze in the case of wool. It is my understanding that the purpose of this program was to do two things:

1. To permit the grower to get a price nearer the ceiling price at the time that he is ready to sell his wool; and

2. By getting the wool under one control, use it most effectively, particularly in producing goods for the military services.

I do not believe that I clear visualize this squeeze that you are talking about.

Mr. CRAWFORD. Let me illustrate it this way: We have in this country—I have forgotten the figure; you may have it in mind—but a given tonnage of imported wool.

Mr. HUTSON. That is right.

Mr. CRAWFORD. Of a very substantial amount.

Mr. HUTSON. That is right.

Mr. CRAWFORD. Enough to make every wool grower in this country that operates on an extended scale conscious of that heavy load that hangs over his market and is reflected by something like 2 or 3 percent reduction, I believe, in the number of sheep on the range at the present time.

Now, that, to me, has proved that he is in a squeeze because he sees his ceiling price, and he sees the Government taking full ownership of the crop, and he sees his costs going up, and, above all, he sees the heavy load of imported wools that move in here without any question whatsoever, under lend-lease or other operations, so automatically he is placed in a squeeze from every viewpoint—from the standpoint of currently producing, from the standpoint of expanding his herds, and from the standpoint of his current costs.

Now, then, I visualize that under the program which we are now following he will be put in an economic squeeze to a point which will further reduce his herds and likewise production, and thereby further surrender our market to the imported wools which we will undoubtedly continue to accumulate as the war progresses and as we bring to this country the raw commodities which we acquire through extending aid to these good neighbors of ours.

Now, the wool industry is naturally concerned about this, and they want to know what their position will be in the event that this bill as here presented becomes law.

So if that gives you a reasonably clear picture I would like to have an answer.

Mr. HUTSON. I understand the terminology. The terminology that I would use myself would have been, perhaps, the threat of a squeeze. That is, unless this foreign wool should be dropped at sometime on the market here, so as to depress the price, he would not be squeezed but he is disturbed, as any group would be disturbed, if there is a large amount of a commodity in the country and he is expanding his pro-

duction to meet a war situation and he sees that mountain there that he is afraid will come in on him.

It is really a threat that disturbs him.

Mr. CRAWFORD. We say to him in substance, that we, the Congress, or the Commodity Credit Corporation, that we cannot make a commitment to you beyond the 1943 crop, because we buy on an annual basis, and he gets the idea that roughly the war may end in 1944.

Well, he naturally wonders why he cannot have protection throughout the war period, and let us say 2 years beyond the war period, as was discussed down there at the hearing that day.

Now, if Commodity Credit Corporation in the enactment of this bill can assure the wool industry that it will be protected for the duration, plus, say 2 years, let us give a rough time in which to move out these accumulated stocks of imported wools that would be one proposition to him, but for this program to be adopted and no commitments beyond the 1943 crop, with the importations as they are now, and as they will probably continue, that is another proposition, that the wool industry does not see through at all so we will probably have to deal with that in rather a large way before we get this bill across the floor.

So if you could prepare for us, in due time, a statement dealing specifically with the question of wool, as it is peculiarly situated, and put that in the record, it would help us a lot.

Mr. BROWN. Where is most of our wool coming from?

Mr. CRAWFORD. I think every Latin country, including Australia, is qualified under lend-lease.

Now, we have got enormous stocks here at the present time. Mr. Ford might be able to give us the exact figures.

Now, the situation got to the point where the whole wool industry met down here and unanimously agreed that the Government should take this over.

Mr. BROWN. What is the fear now?

Mr. CRAWFORD. The fear is:

1. Your advancing costs, as compared with your price ceilings that are set; and
2. Your imported stocks now on hand, and the likelihood of that importation to continue as we give relief to these other countries; and
3. The attitude which I understand the Commodity Credit Corporation has officially taken up to the moment, to the effect that it cannot commit itself beyond the 1943 crop.

And I think all three fears are quite well justified.

Naturally if they imported wool, it would be sold to the manufacturers cheaper than our wool in this country and that would bring about a profit.

If we get into a quantity that we may be overloaded to the extent of the war, that certainly would bring about a tremendous depression on local wool.

There is one thing to think about in connection with practically all farm products, because of the conditions of the various countries of the world, that even though we may have some surpluses at the end of this war, I do not believe that we will have any great depression because of the great need scattered all over the world. I am not sure about wool.

Miss SUMNER. Did they ship much wool—are you acquainted with the situation after the last war? Did they ship much wool?

Mr. SULLIVAN. Pretty near all of the big wool buyers went broke after the First World War.

Miss SUMNER. Because they shipped to Europe?

Mr. SULLIVAN. The wool came in from Australia.

Mr. CRAWFORD. Under the concept of lend-lease, we have got to realize, which to me has gathered fantastic operations, that we are accommodating the economy of everything to the South and the Southwest, as far as Australia, and as I understand the approach, it is to the effect that we are to continue to accommodate that economy, moving their goods here with such bottoms as we may have and converting and transferring either raw material or finished products from here to the other countries, to the end, whatever that may be.

Of course that puts every man in this country who grows a crop other than cotton, and I do not know but what it also includes the cotton man, on notice that his economic life is in question.

Miss SUMNER. I am not informed on cotton, but I notice in an editorial of the Dallas (Tex.) News, that Brazil cotton was coming into Canada for 8 or 10 cents.

The CHAIRMAN. He does not mean that they expect to bring cotton in. He means the wool importation affects cotton here also; that is what he is talking about.

Mr. HUTCHINSON. On this point I will be glad to insert a statement.

I will make this comment at this time. I believe that something along the line that Congressman Crawford has suggested would be in line with the action that Congress has taken with respect to other commodities. I am thinking specifically about the guaranties with respect to the protection of the prices under the Steagall amendment until 2 years after the war, and also the protection of the prices of certain other commodities until 2 years after the war, for which we have had legislative enactment.

This happened not to have been a proclaimed commodity because it is not possible to get a big increase in the production of wool in this country, and it has not been one of the so-called proclaimed commodities, but I am rather inclined to agree that it has a problem very similar to that of these proclaimed commodities.

(The statement is as follows:)

The wool purchase program of the Commodity Credit Corporation was undertaken for the purpose of insuring the immediate availability of wool for military and essential civilian use and to encourage maximum wartime production by insuring growers of prices closely in line with ceiling values for wool. Returns from the 1942 clip were disappointing to some growers because of the fact that wool prices declined during the late spring and early summer. Shortly before and shortly after the Army let contracts for wool products, prices of raw wool were at the ceiling. As soon as mills filled their immediate requirements, however, prices declined and in some instances growers had difficulty in finding buyers, even at materially lower prices. The present program will prevent a recurrence of that situation in 1943.

Growers are also fearful of a post-war slump in wool prices. The decline in prices following the First World War was disastrous for many producers. Therefore, growers want assurance that they will not face a similar situation following the present war if they maintain or increase sheep numbers. If the Commodity Credit Corporation remains in existence, it is anticipated that a wool price-support program will be continued for the duration of the war and perhaps 2 years thereafter. In this manner wool producers will have a period during which they can readjust their production to post-war conditions.



Mr. CRAWFORD. While we are on that subject of fiber, you inserted in the record three tables, I believe, on cotton, in answer to the question which the chairman raised the other day, as to the grades and staples and quality and so forth of the cotton that we have on hand, in the way of stocks of 1934 and 1937 crops, and of the 1941 stocks and of the 1942 loan stocks.

I would like to ask you a few questions on this:

Is your cotton man present with you here this afternoon?

Mr. HUTSON. I think that we have a man here that can answer these questions.

Mr. CRAWFORD. It will be perfectly all right for Mr. Rathell to answer these, and we can go through them as hurriedly as you want to.

Mr. Rathell, will you tell the committee as briefly as you can, have you those tables before you?

Mr. RATHELL. Yes, sir.

Mr. CRAWFORD. Can you tell us what you consider high-grade cotton as related to the five classifications running from top to bottom, if I make myself clear?

In other words, white and extra white, in the cotton trade, and cotton terminology, would you consider all of that what kind of cotton?

Mr. RATHELL. White and extra white in the grade Middling and above, I believe, would be considered as the high grade of cotton.

Mr. CRAWFORD. High-grade cotton?

Mr. RATHELL. Yes, sir.

Mr. CRAWFORD. Now, strictly Low Middling and below, to Good and Ordinary?

Mr. RATHELL. Strict Low is a medium grade; it is not considered low grade, and Low Middling and below is generally called the low-grade cotton.

Mr. CRAWFORD. Now, looking at the 1934 to 1937 crop, you will find there that under white and extra white, you have 1,935,160 bales, out of a total of 2,810,206.

The difference between the last figure and the first figure is represented by your spotted, gray, tinged, and stained, all of which I would assume then is of less quality than Good-Ordinary?

Mr. RATHELL. No; not all of those grades; the spotted grades down to Strict Middling spotted, I would say, are about even with the Middling white grade.

Then the tinged is the lower grade all the way down.

Mr. CRAWFORD. Now, if we took out of the white and extra white, the high quality cotton, down to and including the Strict Low Middling, would you go so far down?

Mr. RATHELL. Yes, sir.

Mr. CRAWFORD. And then picked up under spotted down to how far?

Mr. RATHELL. Strict Middling is as far as you could go.

Mr. CRAWFORD. That would roughly give you off of that sheet the total baleage of what we would term high-grade cotton; is that right?

Mr. RATHELL. Yes, sir; that is right; 1,800,000 bales.

Mr. CRAWFORD. Yes; out of 2,810.

Mr. RATHELL. Yes, sir.



Mr. CRAWFORD. Now, going to the other side of the picture, as to high-quality cotton, into the length, I should say, going from three-fourths over toward the 1 inch, what would you consider practical for military purposes?

Mr. RATHELL. Fifteen-sixteenths inch and longer.

Mr. CRAWFORD. So then that would eliminate probably 1,000,000 of the 2,000,000 bales previously referred to, roughly, would it not?

Mr. RATHELL. Yes, sir; there is about 1,800,000 bales of cotton of staple below fifteen-sixteenths in this list, out of a total of 2,800,000.

Mr. CRAWFORD. Now then, I think if we make that same application, or let me ask you this:

If we made a similar application to the 1941 table and also to 1942 table, would that give us a good practical idea of the high quality cotton that we have on hand relating to these three tables?

Mr. RATHELL. I would say that it would. The better-quality cotton of the staples that are now greatest in demand.

Mr. CRAWFORD. That answers my question with the exception of this:

Would you mind taking this lead that we have developed, and fixing one or two little paragraphs along that line and put that in the record with reference to these three tables?

Do I make myself clear?

Mr. RATHELL. Yes, sir; I understand.

Mr. CRAWFORD. Mr. Chairman, I think that that will answer the question that we had in mind here the other day.

The CHAIRMAN. Now, let him recapitulate and give us that picture.

Mr. CRAWFORD. Let him put it in the record.

The CHAIRMAN. Let it go into the record.

That is all right. Let it go into the record.

Mr. CRAWFORD. That to me is the finest statement that I have seen on the status of your stocks. I had not seen these figures before at all.

Mr. RATHELL. They were published this week, Congressman Crawford.

Mr. CRAWFORD. Now, this includes—let us go ahead now and tie this into your large sheet.

Have you one of these inventory sheets that conforms to the April 30 statement?

Mr. RATHELL. Yes, sir.

Mr. CRAWFORD. Suppose that you tie that total into this.

Mr. HUTSON. We do not have one for April 30. We have March 31, and we have the information over in the Department for April.

Mr. CRAWFORD. You can tie those in?

Mr. RATHELL. Yes.

Mr. CRAWFORD. That will cover that.

(The statement referred to appears on p. 165.)

The CHAIRMAN. There is a bill on the floor. We will meet Monday morning at 10:30.

(Whereupon at 4:50 p. m., the committee adjourned to 10:30 a. m., Monday, May 24, 1943.)

## CONTINUANCE OF COMMODITY CREDIT CORPORATION

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MONDAY, MAY 24, 1943

COMMITTEE ON BANKING AND CURRENCY,  
HOUSE OF REPRESENTATIVES,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

### FURTHER STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION

The CHAIRMAN. The committee will come to order.

Mr. Hutson, I suggest that you conclude your general statement, if the committee permits you to do so.

Mr. HUTSON. The next item, Mr. Chairman, is "Vegetables for processing."

A program under which the Commodity Credit Corporation will purchase vegetables at announced support prices and sell them to processors at lower prices was undertaken to stimulate the production and packing of canned and frozen vegetables in 1943. As a result of favorable weather and price conditions a record volume was packed in 1942. With normal growing and harvesting weather, a smaller pack is anticipated in 1943. Recent estimates indicate that nearly 30 percent of the four major canning vegetables will be required for military and lend-lease uses.

To encourage production by farmers, the Department announced on January 28, a price support program for vegetables for processing. Because of the increased production costs, growers were assured of prices roughly 25 percent higher than in 1942 for the major vegetables for processing. For tomatoes, the support price for 1943 averaged \$24.25 per ton for the country as a whole, compared with \$19.37 in 1942. Comparative figures for other crops are as follows: Green peas \$81.50, compared with \$63.93; sweet corn \$18, compared with \$13.50; snap beans \$91, compared with \$75.38.

Under the 1943 program, Government agencies will purchase that part of the vegetable pack taken under set-aside orders at prices high enough to reflect the support prices paid growers. For that portion of the pack sold to civilian consumers, the Commodity Credit Corporation will purchase the vegetables at the 1943 season average price.

I believe that these operations were necessary in order to get a moderate acreage of canning vegetables planted in 1943 and in the end will result in a net saving in governmental expenditures.

I mean that this particular project was one in which the House Committee on Agriculture became disturbed about and called a hearing which was attended by canners, the officials of the Office of Price Administration, and some of us from the Commodity Credit Corporation. After 2 days' discussion of the problem I indicated that I would go and work with the canners in trying to develop a program, and it seemed to me that we had no alternative except to get a substantially reduced volume of vegetables or guarantee prices to producers substantially above those that prevailed in 1942. We do not know at this time whether or not the prices for these goods will be at 1942 levels. I believe that the ceiling prices for 1943 have been announced in some cases and it is generally expected that their ceiling prices will average about in line with 1942 prices. In case that is true the Commodity Credit Corporation would stand to lose about \$25,000,000 in these purchase and resale operations with respect to the canning crops.

The CHAIRMAN. You are talking about 1943?

Mr. HUTSON. I am talking about 1943.

The CHAIRMAN. How can you tell now what your losses are going to be?

Mr. HUTSON. Well, if the ceiling price in 1942 prevails on the 1943 pack and with the prices that we have announced for growers there would be a deficit between the two items. That is, the advance of the raw material cost would amount to about \$25,000,000, that is assuming that the Office of Price Administration does not reflect the increased cost of raw materials that go into canning products in the prices of the canned goods.

We have a similar situation with respect to sugar beets. There has been a ceiling price on sugar for several months. It was one of the first commodities for which we had ceiling prices. At planting time for sugar beets, because of increases in costs, because of competition from other crops, and because of difficulties in getting labor, this being one of the so-called stoop crops, it appeared that we would not be able to get a normal, or anything approaching a normal quantity of sugar beets planted except by making guaranties in prices for beets above those prevailing in 1942. We guaranteed a price for beets to the farmers of roughly \$1.50 a ton above those prevailing in 1942. This represented about a 15 percent increase in the price of beets. We would stand to lose the amount of this increase over last year's prices of beets if the ceiling price on sugar remained at last year's level.

The CHAIRMAN. What do you figure those losses would be?

Mr. HUTSON. Those losses in this particular transaction would amount to about \$15,000,000.

The CHAIRMAN. Now, how do you go about assuring the farmer of the price that you are supposed to guarantee?

Mr. HUTSON. We can file a copy of this offer in the record. But in brief we make a public statement to the effect that the prices of beets will be protected at a level which is \$1.50 per ton above the level that prevailed in 1942. This is roughly equal to a half cent a pound on the price of sugar.

The CHAIRMAN. How is the farmer going to get that money, that is what I am talking about. What is the transaction?

Mr. HUTSON. How the farmer gets the money?

The CHAIRMAN. Yes.

Mr. HUTSON. If the present ceiling prices prevail at the time these beets are ready to be sold the Commodity Credit Corporation will enter into a contract with sugar-beet processors under which these processors will pay these increased prices. Under the terms of this contract the Commodity Credit Corporation will agree to resell the beets back to the processor at 1942 prices and the Commodity Credit Corporation under that arrangement would lose the difference in the 1942 price and the 1943 price.

The CHAIRMAN. What really happens is that you do not have any transaction with the farmer?

Mr. HUTSON. No. We contract with the processor to carry out our commitments to the farmers.

The CHAIRMAN. And you think a farmer under that arrangement will produce more beets than he will if the price were allowed to reach the same level so that he would be paid over the counter without any of that machinery?

Mr. HUTSON. The farmer is paid for his beets in exactly the same way that he has been paid for them in the past.

The CHAIRMAN. You told us how he is paid. I am asking you another question now. I ask you if you think he will produce any more beets under that method?

Mr. HUTSON. Certainly, I think more beets will be produced with the higher price.

The CHAIRMAN. I am not talking about that. I did not ask you that. I am asking if you think the farmer will produce more beets because he is going to receive the money under the method you have established than he would if he knew the market price would be the same and he would get the cash over the counter independent of all these things?

Mr. HUTSON. No, I do not think so. He would get the same number of dollars in either case and obviously would produce the same quantity of beets.

The CHAIRMAN. That is what I am talking about.

Mr. HUTSON. Yes.

The next item that I would like to discuss is the foreign-purchase activities.

Mr. BALDWIN. Mr. Chairman, before we leave this subject may I ask Mr. Hutson a question?

The CHAIRMAN. Certainly.

Mr. BALDWIN. While you are on this question, on the question of snap beans you said you raised the price from \$70 to \$90; is that right?

Mr. HUTSON. On the average throughout the country the price of snap beans were increased from \$75.83 to \$91.

Mr. BALDWIN. Now, where did you get that \$75?

Mr. HUTSON. That was the average price for the United States in 1942. That varies by areas.

Mr. BALDWIN. I know something about it and I just want for your information to give you my observation on it. There were some contracts let for that product. Now, Maryland canned 25 percent of all the snap beans canned in the United States last year. The cost of the beans, the price to the farmer in Maryland averaged about



\$110. Sixty percent of these beans were packed in Maryland, packed in Baltimore in Baltimore canneries. They have no contract for beans this year due to that reduction. And when we had a meeting with the Department of Agriculture in the Office of Price Administration and a representative of your Department, the Commissioner of Agriculture from New York was present and in the New York area you allowed them \$110 a ton. And he said that even at \$110 a ton they could not get any contract for beans this year. So, just in line with your effort to increasing food production I just want to bring Mr. Hutson's attention and the committee's the fact that these prices are not going to increase bean production this year. The situation is pretty well up in the air.

I raised, last year, enough beans to pack 150,000 cases of beans and there is not a Baltimore cannery that has contracted an acre of beans this year because they cannot get them under these prices. Last year the grower paid \$1.50 a hundred for picking. This year they have got to pay at least \$2 and maybe \$2.50, or at least \$2.50. The seed bean in 1942 cost an average of \$5.50 to \$6 a bushel. Right now the present market on them is \$20 a bushel. So in view of this I thought it might be well for you to realize the situation. It is quite serious. The commissioner of agriculture of New York State was present at that meeting and he said it was going to be impossible to fill any contracts in New York at \$1.10, or in the west, that on the records of the department of agriculture shows their production or their yield is about twice the Maryland yield and they are being allowed \$110 a ton against Maryland's \$90, and even they cannot get the contracts for \$110, and their production is higher than the Maryland production per acre.

Mr. PATMAN. Mr. Baldwin, may I ask you a question. You say that Maryland cans about 19 percent of the total pack of beans?

Mr. BALDWIN. Twenty-five percent.

Mr. PATMAN. Twenty-five percent?

Mr. BALDWIN. Yes.

Mr. PATMAN. That is one-quarter. Now, then, the price fixed by the Office of Price Administration and the Department of Agriculture is \$90 a ton in Maryland?

Mr. BALDWIN. The supporting prices of the Department of Agriculture make Maryland \$90; that is right.

Mr. PATMAN. The farmers will not contract because they are not willing to take that price.

Mr. BALDWIN. They haven't a contract in the Baltimore area this year.

Mr. PATMAN. Well, for instance, I live in a town halfway in Arkansas and half in Texas. The price of beans on one side is \$10 higher than they are on the other side. It is an imaginary line and it causes a lot of trouble. May I suggest that our Committee on Small Business run up against these problems all the time. I think mistakes like that ought to be quickly corrected. I think that is where most of the trouble is here, the failure of those in power to correct these mistakes as they discover them. Certainly it occurs to me, Mr. Hutson, when the farmer will not contract where 25 percent of the pack is put up that should be sufficient notice to you and the Office of Price Administration to get something done about that rather quickly; don't you think so?

Mr. HUTSON. Yes; we certainly ought to look into it.

Mr. BALDWIN. That is the reason I brought it to Mr. Hutson's attention.

Mr. PATMAN. The trouble is this committee made an awful mistake; or Congress did; I don't think this committee did. You know, we blame the Office of Price Administration on all these things. The Office of Price Administration is not to blame for everything because when we wrote that Price Control Act we put in there that no agricultural commodity including livestock would have a price on it fixed without the approval of the Secretary of Agriculture. So that makes a divided responsibility there and we have seen them pass the buck from one to the other on meat packing and milk and everything else until it's pitiful. And we should change that law and put that responsibility in one person and then hold that one person liable. In this case right here I imagine in order to get this corrected you would have to get the Office of Price Administration's approval, wouldn't you, Mr. Hutson?

Mr. HUTSON. No. We could change the terms of this offer without consulting the Office of Price Administration. In these situations such as you and Mr. Baldwin point out, I would say the responsibility for correcting them is on the War Food Administration. That is our responsibility.

Mr. SUMNER. Mr. Davis?

Mr. HUTSON. Yes; and on me. That is one of the things I am supposed to handle.

Mr. PATMAN. Don't you think something should be done? The season is rather late, isn't it?

Miss SUMNER. It is too late for corn.

Mr. HUTSON. Well, I would like to comment very briefly on these questions. I think there is a point in one case and not in the other, according to the information I have.

The CHAIRMAN. Right here let me say that the provision of the price control bill which brought the Department of Agriculture or the Secretary of Agriculture into this picture was proposed by the Senate and accepted in conference and thus became part of the law. But I do not understand that it created a divided authority. I do not understand that you have a divided authority where you have different members of a board or anything like that. The provision required the approval of the Secretary of Agriculture for ceilings proposed by the Office of Price Administration.

Miss SUMNER. And with a veto power.

The CHAIRMAN. And a veto power, if you want to call it that.

Mr. PATMAN. That makes a divided authority.

Miss SUMNER. No.

The CHAIRMAN. I don't think so. All it required was that the Office of Price Administration, when it proposed a price ceiling, submit it to the Secretary of Agriculture for approval and when he approved it you had your O. P. A. ceiling and that was the end of it. We never intended and nobody dreamed we would get into this kind of confusion where one department did one thing and another department another thing.

Mr. PATMAN. I'll give you a case. Take the meat packing industry. That is typical. That is the case where the prices on finished

pork was fixed, on bacon and everything else. In many places in this country the retailer was forced to sell that bacon for less money than he was compelled to pay for it. It has gone all over the country, since last October. Well, we went to the O. P. A. and to Agriculture, and the result was this, that the O. P. A. says the way to cure this is to fix the price on live animals. We recommend a price be fixed on live animals. Well, Agriculture said, "We are not going to take that. We are opposed to fixing the price on live animals. We want to do it through rationing. That is the best way to do it." So they have wrangled over this until hundreds and hundreds of small packers, I won't say hundreds, but at least one hundred or two small packers have gone out of business because they could not possibly stay in business when they were losing from \$5 to \$15 a head on every animal they slaughtered, while the Office of Price Administration and the Department of Agriculture squabbled, and doing so for months. Why did they squabble? Because we put a divided responsibility in the law.

The CHAIRMAN. Well, if the Secretary of Agriculture wanted to remedy that we gave him the power to do it by vetoing that order.

Mr. PATMAN. They did. It wasn't operative then except what the Office of Price Administration didn't want. They finally got together.

The CHAIRMAN. Their business was to veto an unwise order that they did not approve on the part of the Office of Price Administration. Then the matter would have worked itself out.

Mr. PATMAN. That is a case where it actually happened.

The CHAIRMAN. I am not doubting that at all. That seems to be true.

Mr. PATMAN. Milk situation is the same way.

The CHAIRMAN. When we put in the bill a provision authorizing a veto on the part of the Secretary of Agriculture we did not mean that he should be forced to accept a ceiling that he did not approve and then turn around and take the money out of the Treasury to make up for the error.

Mr. PATMAN. No; we were just legislating against an individual in writing that law, which is never good; it is never good in a general law to have some individual in mind. That is what the Senate did.

Miss SUMNER. I don't think so. Henderson is gone and we have the same thing today.

The CHAIRMAN. The law is there today. That part of the law has never been changed. The law now is that the Office of Price Administration cannot fix any ceiling on an agricultural commodity—

Mr. PATMAN. Including livestock.

The CHAIRMAN. The law now is that the Office of Price Administration cannot fix any ceiling on an agricultural commodity without the approval of the Secretary of Agriculture. That is the law.

Mr. PATMAN. Yes. Agriculture will not approve. Agriculture will do something that the Office of Price Administration does not like. It has been going on for months. Now, the claim the Office of Price Administration agreed to rationing which they did not want to agree to. They wanted price ceilings fixed on livestock.



Miss SUMNER. Did you say the Agriculture Department was the one that held out for rationing as opposed to the Office of Price Administration that didn't want it?

Mr. PATMAN. The Department of Agriculture wanted rationing and the Office of Price Administration wanted prices fixed on live animals.

The CHAIRMAN. If they had simply followed the law that Congress passed at that very point we would be rid of a lot of trouble we are getting now; that is the whole story.

(Discussion off the record.)

Mr. BALDWIN. Purely for Mr. Hutson's own information at this conference between the canners and the Office of Price Administration and the Department of Agriculture and a representative of your office the farm producers all agreed in spite of the advanced cost of production that they would contract the beans for canners at the price existing last year, which was around \$110 a ton, which was substantiated by the Maryland Department of Agriculture, and it was also recommended by the head of the war production board in Maryland. He recommended that the bean price be set at \$110 as fair and equitable. I will be glad to discuss it privately with you at any time. I am only interested in seeing that food production goes on and it cannot go on at reduced prices.

Mr. PATMAN. You mean to say you received \$110 last year and they are requiring you to sell for \$90 this year?

Mr. BALDWIN. The average price of beans going to canners in Baltimore and Maryland last year was \$110 a ton. There was some contracted for \$75 but the canners didn't get a lot of it. They slipped it away to the open market where they got \$110 or \$115 a ton and, of course, the average price that was substantiated by the Department of Agriculture and their statistics out at College Park and by the canners' own record. I think they have a little different system on sustaining prices last year than they do this year, sustaining on the average cost of canning.

Mr. HUTSON. That is right; there is a difference.

Mr. BALDWIN. Now, your price this year will be \$20 less than they paid for beans last year.

Mr. PATMAN. What was the increase in the cost of production of beans?

Mr. BALDWIN. We paid \$1.50 a hundred for picking. This year they are contract at \$2.

Mr. PATMAN. That is 50 cents a hundred. That is about \$10 extra right there.

Mr. BALDWIN. Now, we don't know whether we are going to get them. We may have to pay \$2.50.

Mr. PATMAN. Which would be \$20 extra.

Mr. BALDWIN. The seed last year cost \$5.50 to \$6, and today seed is worth \$20 or \$21 a bushel, and it takes a bushel to an acre, which is a substantial item in the production of beans. And the farmers all agreed at that meeting, and the producers, that they would assume these additional costs if they were guaranteed the same price as last year and they would contract for the beans.

Mr. PATMAN. We have run into mistakes like that all over the country, and what burns me up is the failure of the Department to correct such mistakes.



Mr. HUTSON. With respect to these differences, the first time they have come to my attention was this morning. I have before me information that has been compiled and furnished me with respect to prices in Maryland, in Texas, and in Arkansas, and also the support price for the year 1943. These support prices were arrived at on the basis of the recommendation of State people and reviewed by a committee in the Department. After which this committee reviewed the recommendations of the State war boards. In Maryland in 1942 the price of snapbeans was \$75.50 a ton. The price for 1943 is \$90 a ton. Now, obviously, according to your statement, there is an error in these figures.

Mr. BALDWIN. There were some beans contracted early last spring at \$75, but in Maryland there is about 50 percent contracted or 50 percent sold in the open market. But when the canners were paying \$110 and \$120 a ton I personally sold beans to the canner last year for \$2 a bushel.

Mr. PATMAN. How much is that per ton?

Mr. BALDWIN. That is \$130 or \$140 a ton. And the average cost was a little over \$110. And Mr. Blanch was present at that meeting; he was chairman of the Maryland War Production Board and had gone over all those figures at this general meeting. I will be glad, as I said, to talk to you privately.

Mr. HUTSON. I will be glad to go into the question further with respect to Maryland, but on the basis of facts I have here the prices appear to be in line with the rest of the country.

Mr. BALDWIN. One of the biggest canned-goods producers in the East told me the situation was in such a chaotic condition that if something wasn't done there was going to be a terrible production of canned beans in this area.

Mr. HUTSON. I will be very glad to go into that immediately. I would like to finish with the Texas and Arkansas figures, since they are up for discussion. In the case of Arkansas, the figures that have been supplied me indicate a price last year of \$75.50 and of \$90 for this year.

In the case of Texas, the figures furnished me indicate a price last year of \$75.50 also and an \$80 price this year.

It would seem that there was a basis in view of this information for a review of those areas in Texas, particularly those adjacent to Arkansas.

Mr. PATMAN. My town is on the line, and beans on the Arkansas side are \$10 more a ton than on the Texas side.

Mr. HUTSON. It is exceedingly unfortunate to have an arrangement of that kind.

Mr. PATMAN. I don't see any sense in that, do you?

Mr. HUTSON. It is exceedingly unfortunate to have an arrangement of that kind and that is the reason I will look into it immediately. The reason for these differences in prices are that historically prices are higher in some parts of the country than others. In some parts of the country they grow beans primarily for the fresh market and then use the surplus for canning. That is one of the things that tends to confuse us on these issues. Obviously that surplus sells at a lower price than does the fresh market supply.

Mr. BROWN. And they have to use fertilizer in some sections, though not in others.

Mr. HUTSON. Yes.

Miss SUMNER. You are speaking here of a smaller pack which you anticipate for 1943. Is that for all these commodities?

Mr. HUTSON. The total pack would be about the same as last year.

Miss SUMNER. We have sweet corn packers in our district and neighboring districts and they have all a smaller pack. That could have been avoided if they had had the assurance of higher prices. Is that the same situation that exists with respect to these other commodities?

Mr. HUTSON. In Illinois the price last year was \$13.50. The price this year is \$17.

Miss SUMNER. That is right.

Mr. HUTSON. That represents about the average change for the country as a whole. There is not the same variation in corn as there is in beans.

Miss SUMNER. The obvious fact that the price has increased does not mean it was increased high enough, does it?

Mr. HUTSON. Well, it represents the best judgment of the combined groups that study it as to the price necessary to get the production. None of us is infallible. We all make mistakes.

Miss SUMNER. I cannot understand it, when you have one planter I am thinking of when they had plenty of time to get the acreage what were they planting? Only five-sevenths of their acreage of last year—five-sevenths. In other words, this year they only have 5,000 acres out of 7,000 acres. That may not be the exact figures but it was about that proportion. I cannot understand why it would not be apparent that they would get more money out of it if they put more in. I cannot understand why the bureaus would not understand that.

Mr. CRAWFORD. May I answer your question?

Miss SUMNER. Yes.

Mr. CRAWFORD. May I answer your question this way. I assume the committee decided on that \$17 plus the potential cost figure. Do you somewhat follow that line? The cost figure. The cost figure would be based upon the possibility of getting certain materials and certain labor entering into that production. But if the labor was not forthcoming the acreage would not be productive and the production would fall off, not because the price was too low but because there was an element they were unable to obtain. I can illustrate that this way.

Miss SUMNER. I can see your theory. But that is not their theory. They were down here saying if they had more money they could get more production.

Mr. CRAWFORD. I want to prove my point by a case. Here in my hand is the correspondence. Since April 20, 1943, the Dairyland Cooperative Creamery Co., at Carson City, Mich., through my office and through its own efforts at Detroit and Grand Rapids office has been attempting to get relief not for the purpose of raising prices, not in the form of a subsidy, but a permit to increase their drivers' wages 15 cents per hour, which they could pay out of the income flow which now comes to them. And after putting all the cards on the table and after I personally notified the departments down here what was going to occur during this 4 or 5 weeks' period we were unable to get action. And here is the letter from the Dairyland cooperative Creamery notifying its patrons that their milk products can no

longer be taken. As we stated 30 days ago, they would have to close down. They had to close down not because of a price problem but because of a permit to increase wages 15 cents an hour. And reading from the letter to their patrons, here is what they say:

We have been unable to purchase repairs for our trucks, as well as not being able to purchase new ones, with the result that our trucks are getting in very bad shape, and it is almost impossible to keep them all rolling. As you undoubtedly know it is almost impossible to hire men to operate them even when they are in operating condition. It certainly is a hard thing for us to take this action, reducing our service to the producers of this area after having spent 18 years in building up the finest organization of this kind in the State.

There is a company that produces 4,000,000 pounds of butter per annum but they ceased production because they are unable to get labor and not because of a price problem.

Miss SUMNER. That is their problem. But that didn't happen to be the canning problem.

Mr. CRAWFORD. I am bringing this in to show the price ceiling committee cannot answer these problems alone because if you had put the price at \$23 a ton you still might not have been able to get the tonnage.

Miss SUMNER. What you are saying really is that a general price ceiling would not solve the problem and that you would have to take each problem individually.

Mr. CRAWFORD. No; I am saying this. This is what I am trying to bring out.

Miss SUMNER. I mean that is the answer to your problem.

Mr. CRAWFORD. That the Office of Price Administration does not control this whole picture is what I am trying to bring out. At all times I have been sympathetic to the O. P. A. because we have inadvertently expected the Office of Price Administration to do most everything. What can the Office of Price Administration do to bring forth increased production if some other agency says, "You cannot raise the wages of your workers 5, 10, or 15 cents an hour even if the workers leave you and go to some other industry"? That is not the problem of the O. P. A. That is the problem of some other department of Government. That is taking place and production is falling off every day for one reason or another. I am trying to bring up that picture here so that the Office of Price Administration will not be loaded with this total burden.

Miss SUMNER. I was not trying to load your kind of problem on the Office of Price Administration.

Mr. CRAWFORD. Don't burden the O. P. A. with the total burden.

Miss SUMNER. I am not trying to burden them with everything because I think they have a fundamentally unworkable proposition.

Mr. GAMBLE. Would you say it is because of lack of cooperation?

Mr. CRAWFORD. Not lack of cooperation but lack of meshing the wheels together.

(Discussion off the record.)

Mr. PATMAN. It is the failure of the people to have authority, and delegating that authority. I can give you an illustration. You take the milk business. They have the same thing. They have all kinds of applications here piled up in Washington. They weren't doing



anything at all. The dairy businesses were going out of business all over the country. Finally they delegated enough authority to the regional or State divisional managers locally. You don't hear much about it now. Now, if the War Labor Board would delegate some authority they would correct these things and we would not have any trouble. There are two things wrong here, one is the failure to correct known errors, obvious errors, after they have been called to their attention. And the other is the failure to delegate authority that they possess. They do not want to give it up. They want to keep it here in Washington. Until they do those two things, correct those known errors and delegate this authority we are always going to have this trouble.

Miss SUMNER. Mr. Patman, isn't there also a third factor there, the failure to deviate from the general ceiling or general situation and make an area situation or a temporary situation rather than a general permanent situation? I mean, for instance, in the soybean case that Mr. Hutson mentioned, there it seems to me they were disturbed about the differential between the Texas situation with respect to the soybean and the Illinois situation. It seems to me in that case if they had an area price and in the case of the market here they had a temporary price in that particular area, I believe that is the third point.

Mr. PATMAN. If they would give authority to the regional or divisional managers and they can adjust this. The minute they make mistakes they can be corrected. They can do something about it. As it is now nothing is being done.

Mr. MONRONEY. Right at that point, when you deviate from your over-all price then you have to have some agency that is concerned with production to pick up that amount of production that will go out of business.

Miss SUMNER. What was that?

Mr. MONRONEY. What I am trying to say is if you are trying to maintain an over-all price and the over-all price freezes out 10 percent of your production then you have to have some agency such as the Commodity Credit Corporation that can retain that 10 percent in production and straighten out and iron out the prices to get the production. The canned asparagus is the thing, and the corn is the thing. It is not the dollars we have to look at.

Miss SUMNER. I mean instead of having a general over-all ceiling if you would have a price differential there you wouldn't need the Commodity Credit Corporation to step in. Every situation we have concerned ourselves here in this debate with I have particularly noted there was not a one where a price differential would not have taken care of the situation without reference to the Commodity Credit Corporation.

Mr. MONRONEY. You cannot puncture holes at random in the price ceilings.

Miss SUMNER. Why not?

Mr. MONRONEY. You have a price ceiling and you have an agency to step in in an emergency situation to retain production in the picture. Then when you come back and raise the price you have to permit a certain small subsidy to them for temporarily sustaining them in production.



Mr. SPENCE. Mr. Hutson, aren't you merely an administrative agency? You do not make these decisions, do you?

Mr. HUTSON. The responsibility for the determination of ceiling prices is a joint responsibility between Agriculture and the Office of Price Administration with respect to agricultural commodities with differences to be resolved by the Office of Economic Stabilization. The determination of these support prices, that is the determination with respect to your \$80, Congressman Patman, as contrasted with \$90 in Arkansas, is the responsibility of the Department of Agriculture and more specifically, the War Food Administrator. If you assume that we had authority under the Steagall amendment to guarantee producers prices without regard to ceiling prices—I tried to make that clear in the beginning—we have assumed that we did have that authority. Having taken that position, it naturally follows that the decision was an administrative one.

Mr. SPENCE. As a practical matter how much of that authority do you actually use without consultation? How much of that authority is vested in the Commodity Credit Corporation?

Mr. HUTSON. So far as the Commodity Credit Corporation is concerned, it carries out the policies that are decided upon in the Department of Agriculture largely in consultation with the Office of Price Administration with respect to ceilings, all of which are subject to the approval of the Office of Economic Stabilization.

Mr. SPENCE. Who acts for the Department of Agriculture.

Mr. HUTSON. I make the recommendations for the Commodity Credit Corporation and the War Food Administrator at the present time passes on those recommendations.

Mr. SPENCE. Is there any conflict of opinion ordinarily between you?

Mr. HUTSON. There are other people in the department that are continually working on these price relationships and they advise us with respect to the kind of policies that will get production.

Mr. CRAWFORD. Mr. Hutson, was it Executive Order 9334 which created the War Food Administration?

Mr. HUTSON. I think it was; yes.

Mr. CRAWFORD. Now, assuming that there was such an Executive order creating the War Food Administration, you are the Deputy Administrator of the War Food Administration?

Mr. HUTSON. I am Associate Administrator of the War Food Administration.

Mr. CRAWFORD. Associate Administrator?

Mr. HUTSON. That is right.

Mr. CRAWFORD. What is Mr. Hendrickson's position?

Mr. HUTSON. He is Deputy Administrator of the War Food Administration.

Mr. CRAWFORD. Deputy Administrator? From an organizational chart standpoint would he rank above you. I do not want to question you on that but I am just trying to find out the standing.

Mr. HUTSON. He reports to Mr. Tapp, an associate administrator.

Mr. CRAWFORD. May I make another illustration. This is what we had up awhile ago. Here is the March 31, 1943, annual report of the American Chrystal Sugar Co. So far as I know, Mr. Chairman, the

prices that these agencies set for sugar beets to the grower of sugar, to the processor, was reasonably satisfactory and I have no complaints about the prices, no complaints of any consequence at all from grower or processor. But here on page 15 of this report it shows, for instance, that the acreage at the Oxnard, Calif., plant drops from 20,581 last year down to 8,128 acres this year. At Clarksburg, Calif., the acreage drops from 16,022 to 7,008. From Grand Island, Nebr., the acreage drops from 12,680 last year to 6,905 this year. Mason City, Iowa, plant, one of the finest plants in the United States, dropped from 10,367 down to 4,333, and so on, down the line. Now here is a case where apparently your price structure is all right. The indicated acreage might have looked all right but coming out here as of March 31 the acreage is not forthcoming. Why? My experience shows, for example, you have farmers where it is a question of no labor. I picked up my home paper yesterday and read where they were bringing 2,000 Jamaicans from Jamaica to Michigan to work in the sugar beet fields. That has to do with production. So we have a production problem, a labor problem, the same as a price ceiling problem and I want to emphasize when we say prices we do not cover the whole water front. You have to bring something else into this because in my own personal observation they have been in 75 percent of the cases, no labor.

Mr. BALDWIN. Mr. Crawford, in line with your observation the first canning crop here in the East anyway is the spinach crop. Of course, a lot of this does not come under the jurisdiction of the Commodity Credit Corporation in cooperation with other agencies looking forward to increased production but 2 weeks ago when a glut in spinach was facing the canneries in Baltimore and they couldn't get a bit of spinach because they could not get the labor because they said they won't work for 45 cents an hour. They went to the War Production Board or the War Manpower Commission and they refused to let the canners increase the pay of the labor, what they could pay the labor over 45 cents an hour. As a result they had to close down because the people just walked out and they could not get it. The canners in Baltimore tell me unless they can be relieved when the tomato crop comes and the glut comes on and the vegetables come in this year they are just not going to be able to get help. There is no use in the farmer producing raw material if the canner because of a War Manpower Commission regulation in which they are adamant and won't change, cannot get the help. They have gone to the War Manpower Commission to try and get them to relent in that ruling but they haven't gotten anywhere so far. I just bring that to your attention, Mr. Hutson, though I know you have nothing to do with it.

Mr. HUTSON. I think that from the standpoint of affecting production labor is a far more important factor and a far more determining factor than price. In a particular area you can get the price out of line as compared with some other area. You can advance all your prices. You are just where you were when you started. Usually a group is trying to get its price up a little bit higher. And we are trying to meet the particular situation. If you take half of your labor and put it into the production of war materials and in the Army and Navy, which we have got to do for many months to come, you are simply going to be short of labor for some of these other things. We

are going to have to resort to all sorts of labor-saving devices to get the work done. I quite agree with both of you, the labor is an exceedingly important factor, particularly in these canning-crop areas, and we are giving consideration to that. We hope to get enough labor available by some means to harvest these crops and to operate these canning plants when the crops are ready for harvest.

Mr. BALDWIN. The labor just walked out because they would not work for 45 cents an hour. They were willing to assume the increased cost; they did not want to come back for an increase in the price; they could have paid 55 cents an hour. The cannery was willing to assume the cost without further increasing the price. The point I am making is the War Manpower Commission would not make that change and has not relented. I am just suggesting that to you in your cooperation with other agencies that something has to be done, not to raise the price to the canners; they don't want it; they will assume the additional cost. They will also pay a few cents more per hour to keep the help they already have because the kind of help they have, when they get busy they just stay out on the street and say they want 60 cents an hour or they won't go to work.

Miss SUMNER. On this labor question that is now confronting them what they are trying to get is to get female labor which has been getting 35 cents an hour and they would be able to pay about 10 cents an hour more. I made a little personal investigation on that, I mean just asking different women who work in the factories. I was told, and I even asked women in stores who were familiar with the problem, they said a lot of it comes from the fact women who ordinarily have to hire nursemaids for their children cannot get them unless they pay considerably more than they ordinarily would have to pay. They said that labor is absolutely there. It is in the towns. It is available if they have the chance to pay that extra price. But as I understand it you have nothing to do with that, one way or the other?

Mr. HUTSON. Well, personally, I do not give very much time to labor. When a situation such as has been described here, which in part had been presented to us before, comes to my attention I ask the people who are responsible for labor to try to work it out. They have been trying to work this out. I cannot report the full answer to the problem but the people are working on this particular problem of labor for canneries which is being discussed here.

Miss SUMNER. The letter I got back from the War Manpower Commission, I believe that was the place the letter was sent from, was that they absolutely could not do it because of the "hold the line" order.

Mr. HUTSON. There are some real problems as there are on this price of canning crops. You cannot "hold the line" if you interpret that to mean to maintain the status quo, and then move prices at one and the same time. I have a great deal of sympathy for anyone that tries to do that.

Miss SUMNER. I have no sympathy because they obviously cannot do it.

Mr. SPENCE. Mr. Hutson, did you say you deal directly with the processors? Do you make your contracts with the processors?

Mr. HUTSON. In some cases; yes, sir.



Mr. SPENCE. And what does the processor do, make a contract direct with the farmer?

Mr. HUTSON. Yes, sir. We are trying to get these operations to disturb normal trade relations to a minimum extent and that is the reason we contract with the processor. If we contract with the grower we have to buy the commodity and take title to it and then turn it over to processors.

Mr. SPENCE. How do you assure the grower that he always will obtain his price?

Mr. HUTSON. The county war board certifies the processor has paid this price to the farmers of that vicinity.

Mr. BALDWIN. They do not have any trouble about that. If you are going to subsidize you have been handling it in a very efficient and simplified manner, I will say that.

Mr. HUTSON. I wanted to conclude this part with about three sentences.

1. Congress has indicated that steps should be taken to prevent substantial advances in prices. In the administration of these laws by any group, with the large number of commodities involved that are involved, you are going to run into situations in which there will be price ceilings that will interfere with the production unless some agency somewhere has the authority to step in and absorb the shock. These particular operations that I have been discussing are that type of operations. They represent only a small part of the total operations of the Commodity Credit Corporation. I mention them because I thought they would be the kind of operations in which you would be interested.

The CHAIRMAN. Mr. Hutson, the situation is disturbing to me because of the facts Mr. Crawford has called attention to. The Office of Price Administration fixed a price. That is one thing. Then you get your manpower control and then you get your material and equipment control and you have this "hold the line" order which puts a control on the producer with respect to what he may pay for his labor and when you get through it looks like no matter how you try and how much authority you have you are up against an impossible situation, or at least, a situation that you cannot fully take care of so far as bring about an increase in production. And if you cannot do it, why try? It looks very difficult to me.

Mr. RATHELL. The following are examples of offers of the Commodity Credit Corporation on milk, cheddar cheese, hogs, and vegetable oils.

#### *December offer*

#### OFFER OF THE COMMODITY CREDIT CORPORATION IN CONNECTION WITH THE PURCHASE AND SALE OF MILK IN THE NEW YORK METROPOLITAN AREA CLASSIFIED DURING DECEMBER 1942

1. Pursuant to a fluid-milk program approved by the President, the Economic Stabilization Director, and the Secretary of Agriculture of the United States for the purpose of insuring, as provided in Executive Order No. 9250 of October 3, 1942, the maximum necessary production and distribution of fluid milk and the maintenance of price ceilings with respect to such milk, the Commodity Credit Corporation (hereinafter called "Commodity"), a corporate agency of the United States, hereby offers, subject to the terms and conditions hereinafter specified,



to purchase class I milk from any handler thereof in the New York metropolitan milk marketing area and to resell such milk to such handler.

2. Commodity will purchase from any handler all class I milk priced pursuant to section 927.4 (a) (1) of order No. 27, which is shipped into the marketing area or which is received direct from producers at plants in the marketing area and not shipped out of the marketing area, and for which the handler receiving the milk from producers is determined by the Market Administrator to be accountable during the month of December 1942 under order No. 27. The price to be paid by Commodity for such class I milk shall be equal to the price applicable, under section 927.4 (a) (1) of order No. 27, to such milk during the month of December 1942. Settlement for such purchase price will be made in the manner hereinafter prescribed.

3. Commodity will resell to any such handler all such class I milk purchased pursuant to section 2 of this offer. The price to be paid by such handler for milk so resold by Commodity shall be equal to the price applicable, under section 927.4 (a) (1) of order No. 27, to such milk during the month of August 1942. Settlement for such resale price will be made in the manner hereinafter prescribed.

4. Purchases by Commodity hereunder shall be deemed to be made daily at the time the class I milk leaves the plant of the handler and resales by Commodity hereunder shall be deemed to be made daily immediately thereafter.

5. Settlements hereunder for class I milk purchased from and resold by Commodity to the handler shall be made, subject to the provisions of section 7 of this offer, on a monthly basis upon the presentation to, on or before February 1, 1943, and approval by Commodity, through such agents as it may designate, of a claim for payment of the difference between the purchase price payable by Commodity under section 2 of this offer and the resale price payable to Commodity under section 3 of this offer.

6. Any handler accountable to the Market Administrator for such class I milk who intends to accept this offer by performing the acts herein set forth shall, on or before the tenth day after the mailing of this offer to handler, notify the Market Administrator of such intention, but no such notification, in the absence of the performance of such acts, shall constitute an acceptance of this offer or create any obligation of Commodity to such handler.

7. Any handler who, pursuant to section 6 of this offer, gives notification of his intention to accept this offer shall be deemed by virtue of such notification:

(a) To have agreed to distribute to other handlers who purchase the raw milk covered by this offer, who pasteurize and package such milk or cause such milk to be pasteurized and packaged, who have complied with the requirements of section 8 of this offer, and who have made such certifications as Commodity may prescribe, any payment received hereunder, such distribution to be made among such handlers, in such proportions and in such manner as Commodity may determine, upon the basis of the information and records available to the Market Administrator, will effectuate the purposes of the fluid-milk program.

(b) To have authorized Commodity to retain all or any part of the payments accruing hereunder and, on his behalf, through such agents as Commodity may designate, to distribute any such payments directly among other handlers in accordance with subsection (a) of this section.

(c) To have authorized the deduction from payments otherwise due hereunder of a sum not to exceed one-tenth of one cent per hundredweight of milk which is purchased and resold hereunder, which deductions, together with deductions made from payments due other handlers, shall constitute a special fund for the payment of such expenses as the Market Administrator may incur in administering Commodity's purchase and sale program with respect to class I milk in the New York metropolitan milk-marketing area.

(d) To have authorized the Market Administrator to deduct from any payments thereafter due to such handler under Order No. 27 and to pay to Commodity any amount which may be due to Commodity by reason of the payment to the handler hereunder, or under any other similar offer, of any amount determined by Commodity to have been erroneously or improperly paid to the handler.

8. As a condition for receiving any payment hereunder each handler shall submit to Commodity, through such agents as it may designate, a sworn statement: (a) That he has not sold milk during December 1942 at prices exceeding the resale prices applicable to such sales pursuant to the regulations of the Office of Price Administration; and (b) that he has paid for such milk not less than the prices, as determined by the Market Administrator, applicable thereto under Order No. 27.

9. No payment shall be made hereunder to any handler against whom an action is pending for violation of the regulations of the Office of Price Administration.

10. This offer may be partially or wholly revoked or modified by Commodity with respect to any handler who has given notification to the Market Administrator pursuant to section 6 of this offer at any time upon notice to such handler but, notwithstanding any such revocation or modification, settlement and payment shall be made as above provided with respect to any milk purchased and resold hereunder prior to such revocation or modification.

11. *Definitions:* (a) The term "Order No. 27," as used herein, shall mean the order, as amended, issued by the Secretary of Agriculture of the United States, regulating the handling of milk in the New York metropolitan milk-marketing area.

(b) The terms "New York metropolitan milk-marketing area," "Market Administrator," and "class I milk" shall have the same meaning herein as is given such terms by Order No. 27.

(c) The term "handler," as used herein, shall have the same meaning as is given such term by Order No. 27, except that no person shall be deemed to be a handler within the meaning of this offer if he has been determined by Commodity (i) not to be fully in compliance with Order No. 27, or (ii) to have charged during December 1942 for milk for fluid consumption resale prices higher than the maximum prices applicable to such sales pursuant to the regulations of the Office of Price Administration.

(d) The term "plant," as used in this offer, shall mean the plant at or with respect to which, under Order No. 27, the classification of the milk purchased and resold hereunder was established.

C. C. FARRINGTON,

*Acting President, Commodity Credit Corporation.*

Dated: December 5, 1942.

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UNITED STATES DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

WASHINGTON, D. C.

OFFER OF COMMODITY CREDIT CORPORATION IN CONNECTION WITH THE PURCHASE AND SALE OF AMERICAN CHEDDAR CHEESE IN THE UNITED STATES

1. The Commodity Credit Corporation (hereinafter called "Commodity"), a corporate agency of the United States, hereby offers, subject to the terms and conditions hereinafter specified, to purchase American Cheddar cheese from any manufacturer thereof (hereinafter called the "manufacturer") in the continental area of the United States, and to resell such cheese to such manufacturer.

2. Commodity will purchase from any manufacturer all American Cheddar cheese produced by him, which is delivered to a receiver, or as to which the manufacturer becomes the receiver, during the period beginning December 1, 1942, and ending December 31, 1943. The price to be paid for all such cheese shall be 27 cents per pound, except that for cheese shown by certification by the receiver to have a moisture content of 35¼ percent or less, the price shall be 27¼ cents per pound. Such purchase price will be paid in the manner prescribed in section 5 of this offer. The weight of cheese purchased by Commodity shall be the weight of the cheese at the time it is received by the receiver, or at the time the manufacturer becomes the receiver.

3. Commodity will resell to each manufacturer all such cheese purchased from him pursuant to section 2 of this offer at 23¼ cents per pound. Such resale price shall be paid in the manner prescribed in section 5 of this offer.

4. Purchases by Commodity hereunder shall be deemed to be made at the time the American Cheddar cheese produced by the manufacturer is delivered to the receiver, or at the time the manufacturer becomes the receiver, and resales by Commodity hereunder shall be deemed to be made immediately thereafter.

5. Settlement hereunder for American Cheddar cheese purchased from, and resold by Commodity to, the manufacturer shall be made on a calendar month basis. Claims against Commodity for payment of the difference between the purchase price payable by Commodity under section 2 of this offer and the resale price payable to Commodity under section 3 of this offer on the quantity of cheese delivered to a receiver, or as to which the manufacturer became the receiver, during the calendar month covered by the claims shall be presented by the manu-

factorer to Dairy Products Marketing Association, Inc., which has been designated to receive such claims for and on behalf of Commodity. Such claims shall be supported by:

(a) A certified statement by the manufacturer showing for each plant and for the month for which the claim is submitted

- (i) When required, the inventory of milk, cheese, and other dairy products at such plant at the beginning and end of such month;
- (ii) The receipts of milk and other dairy products during such month;
- (iii) The total production of all dairy products during such month;
- (iv) The total shipments of all dairy products during such month; and
- (v) Such other information as may be required.

(b) When required, a certified statement by each receiver of American Cheddar cheese, showing the quantities of such cheese received from the manufacturer during such month.

The documents (including statement of claim) presented pursuant to this section shall be in such form and contain such certification as Commodity or its duly authorized agent may prescribe. The manufacturer shall keep books and records sufficient to show all the data and information set forth above and all additional information which may be required by Commodity or its duly authorized agent, and shall permit inspection of his books, records and accounts and all stocks of American Cheddar cheese by Commodity and its duly authorized agent.

6. The manufacturer shall distribute to all milk producers who supplied whole milk to a plant in any particular month all payments received from Commodity for cheese delivered from that plant in that month. Such payments shall be distributed pro rata among the milk producers on the basis of the amount otherwise paid to the producers for whole milk delivered to such plant during the particular month. These payments shall be in addition to the payments producers would otherwise receive for this milk. The manufacturer shall give to each producer a written statement of the amount of the payment being made to him in consequence of this offer. If the manufacturer received whole milk at his cheese plant from another plant or milk receiver, the manufacturer shall arrange for similar payment to the producers supplying whole milk to such other plant or milk receiver. Notwithstanding the foregoing provisions of this section, if the manufacturer is a handler under any order issued by the Secretary of Agriculture of the United States regulating the handling of milk in any marketing area, he shall distribute payments received from Commodity on cheese manufactured from milk received from producers whose milk is covered by such order, as follows (payments to producers of other milk to be made as above): (a) In the case of orders providing for the payment of uniform prices to producers irrespective of the utilization of milk by individual handlers, the manufacturer shall make such payments to the market administrator appointed under the applicable order for distribution uniformly among producers whose milk is covered by such order; (b) in the case of orders providing for the payment of uniform prices to producers on the basis of utilization by the individual handler to whom such producers deliver milk, the manufacturer shall distribute such payments uniformly among all producers shipping milk to him which is covered by such order. The manufacturer shall furnish proof of such payments to producers or the market administrator in such form and at such time as Commodity or its duly authorized agent may prescribe.

7. All payments received by a manufacturer from Commodity under this offer shall, while in his hands, be kept separate and apart from the other monies of the manufacturer and shall be a trust fund for the benefit of the milk producers described in section 6. Any portion of any payment received hereunder by the manufacturer which the manufacturer has not been able to distribute to the milk producers entitled thereto shall, at such time as may be directed by Commodity or its duly authorized agent, be returned to Commodity.

8. Payments shall not be made to a manufacturer who has been determined by the agency responsible for the administration of the order as not in compliance with any order issued by any agency of the United States relating to the conservation, limitation, setting aside, or allocation of cheese, or the procurement of cheese by the United States.

9. Any manufacturer who intends to accept this offer by performing the acts herein set forth shall, on or before filing the first claim for payment, notify Dairy Products Marketing Association, Inc., of such intention, but no such



notification, in the absence of the performance of such acts, shall constitute an acceptance of this offer or create any obligation of Commodity to such manufacturer.

10. This offer may be partially or wholly revoked or modified by Commodity with respect to any manufacturer at any time upon notice to such manufacturer, or with respect to all manufacturers, by filing a notice to that effect with the Division of Federal Register, but, notwithstanding any such revocation or modification, settlement will be made as provided in section 5 hereof with respect to any cheese purchased and resold hereunder prior to such revocation or modification.

11. For the purpose of this offer, the following terms are defined as follows:

(a) "Dairy Products Marketing Association, Inc." means the corporation by that name organized under the laws of Delaware on May 7, 1938, whose principal place of business is 110 North Franklin Street, Chicago, Illinois.

(b) "American Cheddar cheese" means Cheddar cheese as defined by the Food and Drug Administration regulations, appearing in the Federal Register, vol. 6, pp. 195-6 (21 C. F. R. s 19.500).

(c) "Receiver" means the dealer, assembler, or local buyer, or other person to whom, or through whom, cheese is sold, or marketed, or to whom cheese is consigned or delivered for curing or storage, provided that, with respect to a manufacturer customarily storing and curing cheese for longer than 4 weeks or customarily processing cheese, such manufacturer shall be deemed to become the receiver of all cheese so stored, cured, or processed, on the fourth day following the manufacture of such cheese.

C. C. FARRINGTON,

*Acting President, Commodity Credit Corporation.*

Date: DECEMBER 5, 1942.

Form FSC 1753

(9-23-42)

1. This contract No. \_\_\_\_\_, is entered into between the Commodity Credit Corporation (hereinafter referred to as C. C. C.) and the \_\_\_\_\_ (hereinafter referred to as the "Processor"). The Processor certifies that it is engaged regularly in, and has facilities for, the slaughter and processing of hogs under the Bureau of Animal Industry inspection and is complying with the provisions of the Federal Food, Drug and Cosmetic Act, as amended, and with the applicable regulations issued pursuant thereto. The Processor further certifies that the total number of hogs slaughtered by it during the year 1941 did not exceed \_\_\_\_\_ hogs, slaughtered at the monthly rate of as follows: \_\_\_\_\_, January; \_\_\_\_\_ February; \_\_\_\_\_ March; \_\_\_\_\_ April; \_\_\_\_\_ May; \_\_\_\_\_ June; \_\_\_\_\_ July; \_\_\_\_\_ August; \_\_\_\_\_ September; \_\_\_\_\_ October; \_\_\_\_\_ November; \_\_\_\_\_ December.

The above figures of hogs slaughtered are exclusive of hogs rejected or not processed.

For, and in consideration of the mutual promises herein contained, it is agreed by and between the C. C. C. and the Processor as follows:

2. (a) The Processor shall process, package, and deliver to C. C. C. pork products and lard in accordance with "Notice to Process" which may be issued by C. C. C. from time to time during this contract, and which shall become effective upon the third day following receipt by the Processor of the Notice to Process.

(b) The Processor shall not be required under a Notice to Process to deliver more than \_\_\_\_\_ % of the products recoverable from the slaughter and shall not be required to deliver products from hogs slaughtered prior to effective date of such Notice to Process.

(c) Products sold to C. C. C. hereunder shall, to the extent that the Processor's plant facilities will permit, be produced and packaged in conformity with the specifications contained in Schedule FSC 10 and amendments thereto, which Schedule and amendments insofar as they relate to packaging and processing specifications are attached to, and made a part of, this contract.

(d) The price to be paid by C. C. C. for such processed pork products shall be the prices as announced by the Agricultural Marketing Administration applicable to purchases of such products.

(e) Processor may, subsequent to the receipt of the Notice to Process and prior to the expiration of the three-day period after which he must process in accordance with the Notice to Process, notify the C. C. C. that he does not



intend to comply with the Notice to Process, and such notification shall be tantamount to termination of this contract.

3. As a part of the consideration for this contract, C. C. C. will, subject to the limitation in Paragraph 5 hereof, make the Processor an additional payment in connection with ---- % of the live purchase weight of the hogs slaughtered by the Processor and not condemned or rejected by the Inspector of the Bureau of Animal Industry. Such payment shall be based on the average weekly price of barrows and gilts as reported by the Market News and Grading Service for the seven markets; namely, Chicago, National Stock Yards at St. Louis, Kansas City, Omaha, Sioux City, South St. Joseph, and South St. Paul. The rate of such payment shall be 25¢ per 100 pounds live weight for each full 25¢ by which the seven market average exceeds \$13.50 per hundred pounds. Fractions of 25¢ shall be disregarded.<sup>1</sup> Immediately following the publication of the weekly average price at the seven markets, the rate of payment on hogs killed thereafter will be changed upward or downward as necessary for the week after such publication in accordance with the formula described above.

4. The Processor shall submit a separate voucher on form prescribed by C. C. C. for each daily purchase of live hogs for which payment is claimed under Paragraph 3 hereof. Such voucher may be presented daily, and shall be supported by such documents as may be required by C. C. C.

5. The Processor shall not, during any calendar month, or fraction thereof during which the contract is in effect, slaughter a quantity of hogs which exceeds by more than 3% the number of hogs slaughtered during the corresponding month of 1941 as set forth in Paragraph 1 hereof. No payments shall be made under Paragraph 3 hereof, in the event that the number of hogs slaughtered during any calendar month, or fraction thereof, exceeds by more than a 3% operating tolerance the number of hogs slaughtered during the corresponding month of 1941 as set forth in Paragraph 1 hereof, and any payments previously made in connection of hogs slaughtered during such month shall be refunded to C. C. C. No payments, as provided in Paragraph 3 hereof, shall be made in connection with the number of hogs included in such 3% tolerance.

6. C. C. C., through its authorized representatives, shall have full access to any and all Processor's operations, books, records and tests for the purpose of verifying compliance by the Processor with all the provisions contained in this contract.

7. This contract may be terminated by the Processor or C. C. C. upon ten days prior notice in writing. Termination shall be effective with respect to the slaughtering of hogs, upon and after the 11th day following the receipt of the notice of termination, but termination shall not affect the processing of hogs slaughtered prior to the effective date of such termination and the delivery of products therefrom. Termination may also be effected by the Processor in the manner provided in Sub-Paragraph (e) of Paragraph 2. This contract is signed, sealed, and delivered by the parties hereto effective as of ----- 1942.

COMMODITY CREDIT CORPORATION,

By -----,

*Authorized Agent.*

Attest:

-----,  
-----,  
(Title)

-----,

*Processor.*

By -----,

-----,  
(Title)

Corporate Seal (if any).

If none, so indicate.

<sup>1</sup> Example: If the average price of the seven markets increases from \$13.50 to \$13.74, there will be no payment by C. C. C. If the price increases to \$13.75 per 100 pounds, the rate of payment would be 25¢ per 100 pounds. If the average price for a week is \$14.68, the rate of payment applicable to hogs slaughtered for the week after such publication would be \$1.00 per 100 pounds.

## REFINERY CONTRACT

## 1942 VEGETABLE OILS PROGRAM

This CONTRACT is made and entered into by and between COMMODITY CREDIT CORPORATION, Washington, D. C. (hereinafter called "Commodity"), a corporate agency of the United States, and \_\_\_\_\_ of \_\_\_\_\_ (hereinafter called the "Company").

## WITNESSETH:

WHEREAS Commodity desires to promote the production of vegetable oils for war purposes and to facilitate the orderly movement to market of oilseeds and of crude oil derived therefrom;

WHEREAS the Company has facilities at \_\_\_\_\_

\_\_\_\_\_ (attach separate list if space is inadequate)

suitable for the refining and storing of cottonseed, peanut, and soybean oil:

Now, THEREFORE, in consideration of the premises, the parties hereto agree as follows:

1. The Company shall, to the extent that its refining, storage, and transportation facilities will permit, purchase eligible crude cottonseed, peanut, and soybean oil produced from the 1942 crops of cottonseed, peanuts, and soybeans. ("Eligible crude cottonseed, peanut, and soybean oil" shall be oil produced by a processor operating under, and from seed acquired in accordance with, a processor contract with Commodity under Commodity's 1942 vegetable oilseed programs.) Such purchases of crude cottonseed, peanut, and soybean oil shall be made at the following prices:

- (a) Crude cottonseed oil:
  - In Texas and Oklahoma \_\_\_\_\_ 12½¢ per lb. f. o. b. mill.
  - In Mississippi Valley, Alabama, and Georgia \_\_\_\_\_ 12¾¢ per lb. f. o. b. mill.
  - In North Carolina, South Carolina, and Tennessee \_\_\_\_\_ 12¾¢ per lb. f. o. b. mill.
- (b) Crude peanut oil:
  - At Southeastern mills \_\_\_\_\_ 13¢ per lb. f. o. b. mill.
  - At mills in Texas and Oklahoma \_\_\_\_\_ 12¾¢ per lb. f. o. b. mill.
- (c) Crude soybean oil:
  - At Midwestern and Southern mills \_\_\_\_\_ 11¾¢ per lb. f. o. b. mill.
  - At mills in Michigan, Ohio, Virginia, North Carolina, and north and east thereof \_\_\_\_\_ 11½¢ per lb. f. o. b. mill.
  - At mills in California, Oregon, and Washington \_\_\_\_\_ 12½¢ per lb. f. o. b. mill.

Usual or normal location differentials will apply within the above areas. Prices f. o. b. mills in other areas shall be based on the above prices with usual or normal location differentials.

In any case where the price applicable under the above schedule is higher than the applicable maximum price established by the Office of Price Administration under the Emergency Price Control Act of 1942, the purchase price hereunder shall be such maximum price.

Adjustments for weight and quality of crude oil so purchased by the Company shall be made in accordance with customary practices under trade rules to be specified in the contract at the time of purchase.

2. Commodity agrees to purchase from the Company the eligible crude oil purchased by the Company in accordance with paragraph 1 hereof. Oil so purchased shall be paid for by Commodity at the applicable base f. o. b. mill price upon the presentation to and approval by Commodity of an invoice based on outturn weights at the point of destination of the crude oil, together with storage receipts, in form satisfactory to Commodity, representing such oil and such other documents as Commodity may require. Each such invoice shall cover and each such storage receipt shall represent not more than five or less than one (except at the end of the season) tank cars of the same kind of crude oil. All in-bound freight charges on such crude oil shall be for the account of the Company. Unless otherwise directed by Commodity, any crude oil so pur-

chased by Commodity, may, while held by the Company for Commodity's account be refined by the Company.

3. The Company agrees to repurchase and Commodity agrees to sell, as crude oil, the oil represented by storage receipts issued by the Company pursuant to paragraph 2 hereof and held by Commodity, as such oil is needed to meet the current sales and manufacturing requirements of the Company or to supply to Commodity refined oil to be delivered to Commodity pursuant to paragraph 5 hereof. The price to be paid by the Company for such oil shall be the purchase price therefor paid by Commodity pursuant to paragraph 2 hereof, less an amount of one-half of one cent per pound. Upon the payment of such price by the Company, Commodity shall return to the Company storage receipts representing the crude oil repurchased by the Company. In selling oil to the Company pursuant to this contract, storage receipts held by Commodity shall be returned to the Company in the order in which such receipts were originally issued by the Company.

4. The Company shall, without cost to Commodity, for a period of ninety days from the date of issuance of the storage receipt representing such oil. (a) store oil purchased by Commodity pursuant to paragraph 2 hereof; and (b) furnish fire and lightning insurance coverage for such oil, under a policy satisfactory to Commodity with loss payable clause in favor of Commodity and the Company, as their interests may appear. After the expiration of such ninety-day period, the Company shall continue to provide such storage and insurance, but Commodity shall pay the Company for such services at the rate of five-sixths of one mill per hundred pounds per day during the period that such oil is stored for the account of Commodity. Upon Commodity's request, the Company shall furnish to Commodity a bond conditioned upon the faithful performance by the Company of its obligations hereunder with respect to the storage and delivery of oil held by it for the account of Commodity. Such bond shall be in such form and in such amount as Commodity may prescribe.

5. (a) The Company agrees, upon Commodity's request, to sell to Commodity a quantity of refined cottonseed, peanut, and soybean oil not in excess of the quantity of refined oil that could be produced from the crude cottonseed, peanut, and soybean oil represented by storage receipts issued by the Company and held by Commodity. The price per pound for such refined oil delivered at the point of destination named by Commodity shall be the total of the following amounts:

- (1) An amount equal to the average f. o. b. mill base price per pound paid by the Company for the crude oil repurchased by the Company from Commodity pursuant to paragraph 3 hereof for the purpose of supplying the refined oil requested by Commodity,

*plus*

- (2) (a) In the case of all refineries except those in the New York City metropolitan area and in the States of California, Oregon, and Washington:
  - 1.25 cents per pound of refined cottonseed oil;
  - 1.075 cents per pound of refined soybean oil;
  - 1 cent per pound of refined peanut oil.
- (b) In the case of refineries within the New York City metropolitan area:
  - 1.3 cents per pound of refined cottonseed oil;
  - 1.125 cents per pound of refined soybean oil;
  - 1.05 cents per pound of refined peanut oil;
- (c) In the case of refineries in the States of California, Oregon, and Washington:
  - 1.35 cents per pound of refined cottonseed oil;
  - 1.175 cents per pound of refined soybean oil;
  - 1.10 cents per pound of refined peanut oil.

*plus*

- (3) The per pound through freight rate including refining-in-transit charge calculated upon the average rate from points of origin of the crude oil, as shown on applicable storage receipts, to the destination point of the refined oil as named by Commodity, applied to the quantity of refined oil shipped.



*plus*

- (4) A loading charge of 5 cents per one hundred pounds of the refined oil shipped.

Such purchase price shall be paid upon the presentation to and approval by Commodity of such shipping and other documents as Commodity may prescribe.

5. (b) The Company shall, when requested by Commodity, supply tank cars for the shipment of such refined cottonseed, peanut, and soybean oil, if tank cars are available, at a charge to Commodity of One Dollar (\$1.00) per day per tank car, such charge to run from the date of the signed bill of lading to the date of unloading at destination, both dates inclusive.

(c) The Company shall, with respect to all oil delivered hereunder, guarantee weights and grades at destination.

(d) (1) The quality of the refined cottonseed oil delivered to Commodity hereunder shall not be lower than once refined prime summer yellow cottonseed oil as defined in Rule 61 of the Rules of the National Cottonseed Products Association effective on the date of the execution of this contract (hereinafter called the "Rules"). However, if Commodity so requests, the Company shall deliver to Commodity bleachable prime summer yellow cottonseed oil and prime summer yellow cottonseed oil (both as defined in the Rules) in the same proportions that such grades of oil were produced during the current production season to the date of request for delivery by the plant or plants from which delivery is requested. If it is not feasible for the Company to deliver refined cottonseed oil of the grades or of the proportions as to grades specified in this subparagraph (d) (1), the Company may apply to Commodity for permission to supply refined oil of different grades, or in different proportions, at such prices other than those prescribed herein as may be mutually agreed upon. Such application shall state fully the reasons which, in the Company's opinion, warrant the granting thereof.

(d) (2) The quality of refined peanut oil delivered to Commodity hereunder shall not be lower than once refined prime yellow peanut oil as defined in Rule 74 of the Rules.

(3) The quality of refined soybean oil delivered to Commodity hereunder shall be representative of the fair average quality of the season's production to the date of delivery at the plant or plants from which delivery is requested.

6. In view of the difficulty of ascertaining the damages to Commodity by reason of purchases of eligible crude cottonseed, soybean, or peanut oil by the Company at prices or on conditions other than those specified in paragraph 1 hereof, it is agreed that by reason of any such purchases Commodity will be damaged to the extent of, and that the Company shall pay to Commodity as liquidated damages, 2 cents per pound with respect to all such crude cottonseed, peanut, and soybean oil purchased by the Company at prices or on conditions other than those specified in paragraph 1 hereof.

7. The Company shall not be liable for any loss or injury to any oil held by it for the account of Commodity which is caused by tornado, earthquake, flood, windstorm, volcanic eruption, or sabotage, bombardment, or any other act of an enemy of the United States. Neither Commodity nor the Company shall be liable for any failure to comply with this contract which results directly or indirectly from compliance with any regulation or order issued pursuant to the authority contained in Section 2 (a) of the Act of June 28, 1940 (Public No. 671, 76th Congress, 54 Stat. 676), as amended, or pursuant to any delegation of authority to or by the Chairman of the War Production Board.

8. Nothing contained herein shall be construed to prohibit or in any way limit the exercise by Commodity of the power or authority, vested in Commodity by War Production Board Directive No. 7, issued on August 15, 1942 (7 Fed. Reg. 6518), to direct the kinds, quantities, and conditions of purchase and sale of oilseed products to be received or first processed by any refiner or bleacher, to direct the kinds and quantities of vegetable oilseeds and oilseed products to be stored, to direct the area within which vegetable oilseeds and oilseed products may be purchased or not purchased, or to allocate to itself the entire production, or any portion thereof, of any vegetable oilseeds or oilseed products; or any other power or authority heretofore or hereafter delegated to Commodity by the War Production Board or any other agency or officer of the United States.



9. The Company shall not move oil held by the Company for the account of Commodity from one plant or storage location to another in excess of the quantity actually necessary for its manufacturing operations except with Commodity's approval, and any such movement shall be without cost to Commodity. The Company shall not, without Commodity's approval, store in outside storage any oil held by it for the account of Commodity.

10. The Company shall not sell oil purchased by it from Commodity to any refiner who has not entered into with Commodity a refiner's contract similar to this contract.

11. The Company shall not refuse offers (other than offers from refiners not under contract with Commodity, as described in paragraph 10) to purchase oil at the applicable maximum prices under the regulations of the Office of Price Administration under the Emergency Price Control Act of 1942, provided that such offers are made by persons who have an immediate need for such oil for manufacturing or consuming purposes and provided that at the time such offers are received the Company holds for the account of Commodity oil, which the Company does not need for the purposes specified in paragraph 3 hereof, in quantity sufficient to meet such offers.

12. The Company shall keep accurate and complete books, records, and accounts with respect to all transactions pursuant to this contract and shall furnish Commodity such information and reports as Commodity may from time to time request. Such books, records, and accounts shall at all reasonable times be open to inspection and audit by Commodity.

13. For the purpose of making settlements hereunder, amounts due Commodity from the Company for oil sold by Commodity to the Company may be offset against amounts due the Company from Commodity for oil purchased from the Company by Commodity. If any such offset is made, the Company shall make claim against Commodity, in such manner and on such forms, not inconsistent with the other provisions of this contract, as may be prescribed by Commodity, for any balance which may be due the Company.

14. This contract, unless renewed or extended, shall expire on August 31, 1943, in the case of cottonseed and peanut oil, and on September 30, 1943, in the case of soybean oil. However, notwithstanding such expiration (a) the provisions of this contract relating to the storage and delivery of oil shall continue in full force and effect for one year from such expiration date; and (b) so long as any oil is held by the Company for the account of Commodity, the Company agrees to purchase such oil, at the prevailing market price, quality considered, in preference to other oil, as such oil is needed to meet the current sales and manufacturing requirements of the Company.

IN WITNESS WHEREOF, the parties hereto have executed this contract in duplicate this \_\_\_\_\_ day of \_\_\_\_\_, 1942.

By \_\_\_\_\_,  
COMMODITY CREDIT CORPORATION,  
President.

Attest:  
\_\_\_\_\_,  
Secretary.

By \_\_\_\_\_,  
\_\_\_\_\_,  
COMPANY,

#### ACKNOWLEDGMENT

I, \_\_\_\_\_, do hereby certify that \_\_\_\_\_, to me known to be the person who executed the foregoing contract for and on behalf of the party thereto known as the Company, personally appeared before me and acknowledged that he executed the same as his free act and deed; and, in case said contract was executed on behalf of a corporation, that he as \_\_\_\_\_

(insert name of officer and his official title)

(name of corporation)  
was duly authorized by the Board of Directors of said corporation to execute the said contract on behalf of said corporation and to affix the corporate seal thereto.

Given under my official hand and seal this \_\_\_\_\_ day of \_\_\_\_\_, 1942.  
My commission expires \_\_\_\_\_

\_\_\_\_\_,  
Notary Public.

Mr. RATHELL. In reply to the inquiry of Mr. Crawford concerning grade and staple classifications of cotton owned and under loans the following table is inserted in the record:

*Commodity Credit Corporation—Grade and staple classifications of cotton owned and under loans on Apr. 30, 1943<sup>1</sup>*

[Bales]

Staple length	Grades			Total
	Middling and better <sup>2</sup>	Strict low Middling <sup>3</sup>	Low Middling and below <sup>4</sup>	
Shorter than $1\frac{1}{16}$ inch:				
1941 loan .....	11,687	65,502	261,592	338,781
1942 loan .....	122,723	325,496	412,672	860,891
Owned .....	687,300	969,967	205,879	1,863,146
Total .....	821,710	1,360,965	880,143	3,062,818
$1\frac{1}{16}$ inch through $1\frac{1}{8}$ inches:				
1941 loan .....	39,067	60,041	177,848	276,956
1942 loan .....	297,490	361,896	400,243	1,059,629
Owned .....	227,309	356,736	337,066	921,111
Total .....	563,866	778,673	915,157	2,257,696
$1\frac{3}{32}$ inches and longer:				
1941 loan .....	5,521	2,853	1,818	10,192
1942 loan .....	144,032	40,879	20,022	204,933
Owned .....	4,881	3,137	17,931	25,949
Total .....	154,434	46,869	39,771	241,074
Grand total .....	1,540,010	2,186,507	1,835,071	5,561,588

<sup>1</sup> Does not include cotton in process of sale, reconcentration, litigation, 1942-crop loans to cooperatives, and lend-lease allocations of owned stock.

<sup>2</sup> Includes Good Middling and Strict Middling spotted.

<sup>3</sup> Includes Middling spotted.

<sup>4</sup> Includes spotted grades below Middling and tinged, stained, and gray grades.

Total number of bales owned and under loans on Apr. 30, 1943:

1941 loan .....	742,051
1942 loan .....	2,593,602
Owned .....	3,312,212
Total .....	6,647,865

Mr. RATHELL. The following tables contain the figures on the dairy animal conservation program as of May 7, 1943:



Region VI.....											
24	1,279	37	3,571	811	170	46	88,080	454	107		51,067
Arkansas.....	575	0	0	121	7	5	11,870	55	28	1	5,681
Louisiana.....	0	0	325	0	0	0	0	56	0	1	8,230
Mississippi.....	704	35	3,246	690	163	41	76,210	343	79	22	37,156
Region VII.....											
45	5,152	198	18,458	1,561	213	9	131,671	957	503	47	138,524
Kansas.....	4,539	139	12,335	1,399	126	5	152,123	743	359	18	99,902
Nebraska.....	593	28	2,964	156	75	2	27,383	158	96	9	28,321
North Dakota.....	0	0	0	6	0	2	0	6	0	2	695
South Dakota.....	0	31	3,159	0	12	0	1,470	50	18	18	9,606
Region VIII.....											
79	5,486	88	8,059	2,245	309	146	224,825	1,225	89	92	118,421
Oklahoma.....	3,136	24	2,240	182	75	34	20,990	110	13	15	11,821
Texas.....	2,350	64	5,819	2,063	234	112	203,835	1,115	76	77	106,600
Region IX.....											
90	7,788	50	3,759	251	507	30	84,905	126	279	11	37,029
Arizona.....	0	0	0	0	0	0	0	0	0	0	0
California.....	6,596	34	2,289	239	443	28	79,025	125	243	10	33,741
Nevada.....	0	0	0	0	0	0	0	0	0	0	0
Utah.....	1,162	16	1,470	12	64	2	5,880	1	36	1	3,288
Hawaii.....	0	0	0	0	0	0	0	0	0	0	0
Region X.....											
18	2,195	5	475	371	377	53	70,997	192	208	11	36,449
Colorado.....	60	5	475	298	264	50	49,212	119	177	9	24,827
Montana.....	1,679	0	0	53	4	3	4,336	5	1	2	655
Wyoming.....	456	0	0	70	109	0	17,419	68	30	0	10,967
Region XI.....											
104	1,059	106	1,079	30	48	1,437	20,612	17	12	876	11,709
Idaho.....	0	57	618	11	34	24	3,044	4	11	194	3,647
Oregon.....	609	47	423	14	14	1,317	13,920	13	1	510	5,716
Washington.....	450	2	36	5	0	96	1,648	0	0	172	2,346
Region XII.....											
0	0	10	920	611	289	62	82,143	441	152	58	53,489
New Mexico.....	0	0	0	0	0	0	0	0	0	0	0
Oklahoma.....	0	0	190	255	95	4	31,691	192	63	11	23,794
Texas.....	0	8	730	356	194	58	50,452	249	89	47	29,695

1 No activity.



## AFTERNOON SESSION

The committee met at 2 p. m., pursuant to adjournment, Hon. Henry B. Steagall (chairman) presiding.

**STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION, WASHINGTON, D. C.**

The CHAIRMAN. The committee will come to order.

Mr. Hutson, will you proceed with your general statement and let us get to the end of that statement?

Mr. HUTSON. Foreign purchase activities.

From May 1942 to March 31, 1943, cash outlays for foreign purchases totaled \$207,000,000.

I want to discuss generally some of the instances leading up to our participation in foreign activities.

Commodity Credit Corporation undertook a foreign purchase program: (1) to increase the supply of strategic agricultural commodities which are essential for the production of war materials; (2) to supply civilian and military demands for food; and (3) to carry out the agreement made at the Pan American Conference in Rio de Janeiro, whereby this country pledged to support the economies of such of our neighbors to the South as might be jeopardized by the loss of normal export outlets for their products as a consequence of the war.

Officials of the Commodity Credit Corporation collaborated with representatives of the Board of Economic Warfare, War Production Board, and Department of State in establishing policies regarding the purchase and imports of agricultural commodities. In some cases, it is necessary for the corporation to absorb a part of the increased cost, in ocean freight and insurance; because of war conditions these costs are necessarily higher than normal.

In addition, it is sometimes necessary to pay a price in foreign countries that involves a loss when the goods are sold under price ceilings in this country.

Coffee: The coffee program has two purposes: First, to facilitate the importation of coffee under domestic price ceilings and to insure its equitable distribution, and second, to assist in the stabilization of the economy of Brazil.

Brazil has agreed to use her ships for the importation of priority cargo and has thus been unable to move her normal shipments of coffee to the United States. In order to facilitate the importation of coffee from abroad, the Commodity Credit Corporation absorbs any increases in cost of shipping over the shipping cost that existed on December 6, 1941.

In addition, if because of military reasons it becomes necessary to divert ocean steamers to other than normal ports of entry, the Commodity Credit Corporation pays 75 percent of the excess rail shipping charge.

The program involves the purchase of a substantial quantity of coffee in Brazil. Our stockpile in that country is expected to reach a total of \$75,000,000 and the loss on this transaction depends on shipping conditions, the storage damage, the world-wide economic situa-

tion after the war, and upon any restrictions on the disposal of coffee that may be dictated by international policy.

**Sugar:** As one of its major activities in the foreign field, the Commodity Credit Corporation has bought the 1943 Cuban sugar crop and is negotiating for purchases in Puerto Rico, Haiti, and the Dominican Republic. Imported sugar is allocated to refiners and sold to them at a price which permits them to operate under existing price ceilings.

In addition, the Corporation will buy the 1943 sugarbeet crop at a price which will increase returns to farms and resell the crop to processors at a price which will permit them to refine sugar and dispose of it within the ceiling prices.

The Corporation may absorb some of the excess freight charges, in transporting beet sugar outside of the area in which it is normally sold.

**Fats and oils program:** The Foreign Commodities Division of Commodity Credit Corporation has been purchasing fats and oils for the past year, and had completed as of April 30, the purchase of approximately 300,000 long tons and had bought for future shipment another 350,000 long tons of oils or oil-bearing materials. The bulk of these purchases has been made in Brazil and Argentina, but a substantial portion represents purchases from the British and French Governments under memorandum of understanding worked out by the Combined Food Board. Purchases may be designated in two categories.

The first and most important is in the purchase of oils and oil-bearing materials which are vital to the war effort, and which are not produced in this country. This category would include castor oil, babassu oil, coconut oil, cashew shell oil, and others. As an example, the castor oil is being used for the manufacture of tung oil substitutes, and as hydraulic fluid for airplanes, as well as for medicinal purposes. Babassu and coconut oils are lauric acid oils finding an increased use in the manufacture of plasticizers, synthetic rubber, and other war uses, in addition to its age-old use as a source of glycerin.

The second category includes edible oils which have been imported to supplement our inadequate fats and oils stocks in this country and for reexport under lend-lease to our allies.

In spite of heavy carrying charges on fats and oils held for stockpile purposes it is not expected that this program will show a loss.

The fats and oils program has involved a total expenditure of \$72,082,546, of which \$32,801,473 has been recouped by the resale of our imports, leaving a total net investment of \$39,281,073. Most or all of this remaining sum will be recovered when the products are sold.

I may say in connection with this fats and oils before I leave it, that that is one of the things that got Germany into trouble first in the last war, and it is one of the things that may be a factor in the present shortage of airplanes that are flying there now. They thought that they had some substitutes developed and now some of us are wondering if they really did have substitutes developed.

The CHAIRMAN. We are wondering a good many things about Germany.

Mr. HUTSON. The next item that I have here on foreign purchases is cotton. I have asked Mr. C. C. Smith, director of our Cotton Di-

vision, to come here and discuss this item. He knows more about cotton than I do.

Miss SUMNER. Before you leave that——

The CHAIRMAN. What is he going to discuss?

Mr. HUTSON. We have made some foreign purchases in cotton.

The CHAIRMAN. You can tell us that, can you not?

Mr. HUTSON. Yes, sir.

Miss SUMNER. Before you leave that, did you by any chance read the item in Nation's Business, the last one, in which they undertook to discuss the food situation, particularly with respect to the retailers, and in the article they said that lard is not being rendered from pork in the usual way, but that it is being left on the hog so that the meat is sold to the consumers with a lot of fat on it and since I read that article I have talked to various shoppers and others around town in a casual way and they say that it is true that they are getting much more fat on their meat that they buy and a very small proportion of lean.

Have you investigated that to any extent?

Mr. HUTSON. That has been one of the things that has been studied for some time. I am not entirely myself satisfied with the action that has been taken. I think that some more fat could be trimmed off in the packing plants, but I am not an expert in the field, and I have to rely on what I have been told.

Miss SUMNER. You are giving attention to it?

Mr. HUTSON. Yes.

The CHAIRMAN. I hope that you will be careful not to cut the slices any thinner on the lean part.

Mr. HUTSON. All right.

The foreign cotton operations of Commodity Credit Corporation are divided into two fields, one the purchase of cotton needed for military requirements. In this is involved the purchase of Egyptian and Puerto Rican cotton; and two, the purchase of cotton under the good-neighbor policy for supporting the economy of friendly countries.

In this latter connection is involved the Peruvian, Nicaraguan, and Haitian cotton.

We had paid for 7,112 Egyptian bales, through April 30, amounting to \$1,989,000. We have commitments in addition for which payments have not been made for 11,400 bales. This cotton is being purchased to meet requirements specified by the War Production Board to meet our military needs. This cotton will come into the United States under the quota provisions. The present quota provides for approximately 90,000 bales of cotton longer than  $1\frac{1}{8}$  inch.

We have paid for 1,101 bales of Puerto Rican special sea-island cotton, involving \$340,200. This cotton is used in the manufacture of special fabrics required by the Navy and was secured at its request. We are attempting to increase the production of this cotton in Puerto Rico for the 1943 crop to almost 3,000 bales. This cotton is almost 2 inches in length and cannot be produced in continental United States.

Mr. WRIGHT. Is there a loss on that?

Mr. HUTSON. There is no loss on that.



We have purchased 2,000 bales of Peruvian cotton, involving \$2,706,000. All of this cotton is of the Pima variety, and approximately 1½ inches in length. Its character is not quite as good as the Egyptian cotton, but could be used as a substitute in some military fabrics if Egyptian cotton is not obtainable.

Under the agreement with Peru, we offer to purchase up to 200,000 bales under the good-neighbor policy. The market for the Peruvian cotton of this variety promptly moved above the support price, and it was unnecessary to purchase any of this variety.

We purchased 2,987 bales of Nicaraguan cotton under the good-neighbor policy for a total of \$142,159. This cotton has been sold to private trade for movement into Canada and no loss was incurred.

We actually netted about \$20,000 on this deal.

Offer was made to purchase cotton in Haiti to the extent of the past year's carry-over, amounting to approximately 10,000 bales. The cotton market in Haiti promptly moved above the support price, as soon as the support price was announced, and it was unnecessary to purchase any Haitian cotton.

While foreign cotton purchase activities carry subsidy features, that is, potential losses, operations to date have not resulted in any loss to the Corporation. If the war should last for any extended length of time, and we are called upon by the military to purchase these specific types of cotton which cannot be grown in this country; it is possible that some losses will result because of stock piles at the end of the war.

Although coffee, sugar, fats, and oils—

The CHAIRMAN. Just a minute on cotton, while you are there. I will wait until you finish your statement.

Mr. HUTSON. Although cotton, sugar, and fats and oils are the largest items procured abroad, many additional commodities are purchased as an incident to the war effort. These include cocoa, insecticides, dehydrated foods, canned tomatoes, rice, beans, protein foods, flax fiber, and some others.

As the food requirements of the United States increase an intensified effort will be made to relieve the strain on domestic supplies through foreign procurement.

That closes the part of my statement with respect to the operations of the Corporation. The remainder of it has to do with the specific provisions of the bill that is before you.

Miss SUMNER. I have a question there.

Is that exclusive? I mean by that, are there any other operations of that type that you have made no mention of here?

Mr. HUTSON. Yes, the copy of the last annual report would indicate something of the scope. I have covered less than half of the total operations of the Corporation, but most of the remainder is in the form of loans on cotton and corn and wheat which have been discussed with the committee before, and which are fully covered in the last annual report.

Mr. SPENCE. What are your operations under the lend-lease?

Mr. HUTSON. We have in the past two years purchased about 2 billion dollars' worth of goods for the Lend-Lease Administration.

Mr. SPENCE. Who has designated what you shall purchase?



Mr. HUTSON. We are really the financing agency in this transaction. The purchases are made by the Food Distribution Administration and they draw upon the Commodity Credit Corporation for funds to pay for these purchases.

After the purchases are made, they are requisitioned by the Lend-Lease Administration. We have actually recovered of that 2 billion about  $1\frac{1}{4}$  billion and requisitions for a large part of the remainder have been made. There would be a possibility—

Mr. SPENCE. Is that exclusively agricultural products?

Mr. HUTSON. Exclusively agricultural products.

Mr. SPENCE. How have you been repaid?

Mr. HUTSON. Well, Mr. Rathell can explain just the operations that go on, in getting our funds back on these.

Mr. RATHELL. Well, we purchase with our funds and hold the commodities until delivered to lend-lease, when delivered, we are repaid from lend-lease funds allocated for that purpose.

Mr. SPENCE. Do you sustain any loss on those commodities?

Mr. HUTSON. We do not sustain loss on those commodities, but if the war should suddenly end and the prices should decline we might lose some on the commodities that we held at that time.

Mr. SPENCE. It would only be on the commodities that you would hold at the expiration of the war?

Mr. HUTSON. That is correct.

Mr. SPENCE. You can not sustain any loss as long as the lend-lease is in active operation.

Mr. HUTSON. That is correct.

Mr. SPENCE. You are merely the agency that purchases these things.

Mr. HUTSON. We are very much like any banking institution, except in this type of operation we have to take greater risks than a private bank could take.

Mr. SPENCE. Well, do they take you into consultation in reference to these purchases?

Mr. HUTSON. No.

Mr. SPENCE. Are you considered?

Mr. HUTSON. No, we are not consulted with respect to the purchases.

Mr. SPENCE. You are purely a ministerial agency.

Mr. HUTSON. We are purely a financing agency for these purposes.

Mr. SPENCE. Let me ask you—

The CHAIRMAN. You mean that you engage in these transactions and in this business just as would happen in the normal course of business between private institutions, so that there is no obligation on the part of those in charge of the lend-lease program to reimburse you?

Mr. HUTSON. Well, it is not quite that way, Mr. Chairman.

The CHAIRMAN. If you were purchasing for lend-lease operations, I do not see why there should have been any loss to you. I do not understand why there should not be an arrangement by which you would simply be the agent to do this, and if any loss occurred the

loss to be borne out of the lend-lease fund. Why are you called upon to be a central agency to finance the war?

If that is the fact, I do not know that.

Mr. HUTSON. It is probable that it will work out that way; but we might lose at the end of the war.

There is one point at which we are not covered. There is a committee in which the Department of Agriculture and the people who use these goods from the foreign countries participate. This committee decides upon the products that are to be purchased.

The CHAIRMAN. You do not mean to tell us that the Commodity Credit Corporation is going out in its own right buying up materials and commodities throughout the world in mere anticipation of selling them to lend-lease and getting your money back, do you?

Mr. HUTSON. It is more than anticipation. The decision has been made that these commodities can be spared.

The CHAIRMAN. Maybe "anticipation" is too strong a word. I might say without any sort of assurance that you will get your money back. I just want to clear that up. I do not know where you will land with these operations, if there is no understanding about it. I do not see or I cannot understand why you should be called upon to take risks, and in financing the lend-lease program, and I do not see why—

Mr. HUTSON. It is merely to facilitate the operation.

Mr. SPENCE. Who decides the quantities that you shall buy and the price that shall be paid?

Mr. HUTSON. Well, they are bought at the market price.

Mr. SPENCE. Do you not know that the Lend-Lease desires these particular things in the quantity that you buy before you buy them?

Mr. HUTSON. The Lend-Lease Administration itself has not in all cases passed upon them but a group of people representing our Government and the governments of the countries to which the goods are to be sent, has decided on the one hand on the goods we can let go and on the other hand the goods needed. When that tentative decision is reached, prior to the time that the papers move through the Lend-Lease Administration, the purchases are made.

Mr. SPENCE. Now, the title vests in the Commodity Credit Corporation of all of these goods?

Mr. HUTSON. Yes, sir.

Mr. SPENCE. You do not act as the agent for the Lend-Lease, you buy them independently and the title vests in you?

Mr. HUTSON. That is correct.

Mr. SPENCE. Suppose that you buy something that the Lend-Lease does not want, what happens to that?

Mr. HUTSON. We would have to dispose of it.

Mr. SPENCE. Well, do you sometimes go out in the market and buy something that you think that you can dispose of to Lend-Lease and subsequently find out that they do not want it?

Mr. HUTSON. We never buy it unless it has been approved by this group that has passed upon it but conditions may change.

Mr. SPENCE. What is the group that passes on it?

Mr. HUTSON. Well, that is this Combined Food Board that we have been talking about.

Mr. SPENCE. Now, what have you purchased under Lend-Lease? Give us some of the items that you have purchased?

Mr. HUTSON. Here is a statement of about seven pages that represents the total purchases made for Lend-Lease. It is rather a large quantity.

The CHAIRMAN. Is that statement broken down so that when you turn to it you can find all of the facts about those transactions?

Mr. HUTSON. You can find all of the purchases that have been made.

Mr. SPENCE. Have you purchased things for the Lend-Lease that they have rejected that you thought that they wanted when you bought them?

Mr. HUTSON. In some cases there have been larger quantities of goods purchased than they were later able to move. The shipping conditions have changed from the time that the purchase was made until they were ready to move the goods.

The CHAIRMAN. What I do not understand is why the loss should be yours, in a case like that. We do not understand that, when we are appropriating money or authorize it by the action of this committee, that it is done for the purpose of having you finance the war or any part of its program.

Mr. WRIGHT. You think that there should be a binding arrangement by Lend-Lease?

The CHAIRMAN. Yes; if there is something that you can do for them, that is all right. I am not going into that, but I at least do not understand why the Commodity Credit Corporation should undertake out of money appropriated for that Corporation to finance the war, that is the point.

Mr. HUTSON. There have been no net losses.

The CHAIRMAN. I am not saying that you should not but I had not understood that we were doing that.

Mr. SPENCE. Have you sustained any losses up to this time by purchasing goods that you anticipated the Lend-Lease would take and which they refused to take and you subsequently sustained a loss in the disposal of them?

Mr. HUTSON. No; I think that there is a balance in our favor up to this time in connection with lend-lease purchases, a small balance in our favor.

The CHAIRMAN. Does that quite answer Mr. Spence's question? I understood you to say a moment ago, that you did have an accumulation of goods on your hands because you had bought in excess of the ability to transport the materials where they are needed. If that is true, I do not see how you could avoid a loss unless you are able to dispose of them here at a profit.

Mr. HUTSON. This is an attempt to coordinate the purchasing of the Government, and no losses have been incurred to date.

The CHAIRMAN. What about these goods that you have on hand that they were not able to take because of a lack of shipping facilities? I understood you to tell Mr. Spence now that you had goods like that.

Mr. HUTSON. There would be or might be some particular shipments or some particular commodities, that would spoil in transit, but your overhead charge is sufficient to cover that sort of thing.

I would like to clear this a little bit further.

The CHAIRMAN. Just a moment right there before I stop. Let me understand this.

I do not understand that if this is your rule, the rule under which you proceed, that the fact that you have not had any losses up to this time is any guaranty whatever that you will not have losses under those operations later on.

In fact, as I remember it, you said that you contemplated losses when the general accounting was to be made.

Mr. HUTSON. I do not contemplate it. There is a possibility, any time you own goods, that you may lose on them. I do not contemplate a loss on Lend-Lease operations.

Mr. SPENCE. There is no way that you can make a profit; you have to sell to the Lend-Lease at what you purchase.

Mr. HUTSON. I think that I am going to have to back up just a little, so that you get the full picture.

Now, purchases of commodities are made for lend-lease, for emergency Territorial purposes, Puerto Rico, for the Red Cross, and for the school-lunch program. We have been furnishing certain commodities for the school-lunch program. We wanted to put all purchases in one package, and not have these different agencies buying for different uses and competing with each other. Purchases for all of these purposes are made with Commodity Credit funds, a 1 percent overhead charge is added and then the goods are allotted for these specific uses that I have mentioned.

Mr. SPENCE. Does that 1 percent cover the overhead?

Mr. HUTSON. Yes, sir; it has covered it, more than covered it up to date.

Mr. SPENCE. That is the limit of the profit that the Corporation can make?

Mr. HUTSON. That is right.

Mr. SPENCE. Which is really no profit at all because it is all overhead?

Mr. HUTSON. Yes; that has to pay for the use of the funds, too, and any administrative expenses that we may have incurred, together with any spoilage of goods.

Mr. SPENCE. So the only thing you could possibly sustain would be a loss if things did not go well?

Mr. HUTSON. Well, 1 percent on \$2,000,000,000 is something.

Mr. SPENCE. What have you imported for your school-lunch program?

Mr. HUTSON. I am not qualified to speak on that.

Mr. SPENCE. You have just spoken on it.

Mr. HUTSON. I merely know that we have turned over some goods and I do not believe that I have the facts as to which particular goods that we have turned over for school lunch programs.



Mr. BALDWIN. Are you still supporting the school-lunch program now, Mr. Hutson?

Mr. HUTSON. These goods are purchased by the Food Distribution Administration and I think that they used during the last year about \$20,000,000 for school lunches.

Mr. BALDWIN. Was not that program started when there was a greater surplus of agricultural products, and that was the reason for starting it, to help absorb the surplus? I am just wondering whether there is necessity in the scarcity now, for that sort of program being continued in these times?

Mr. HUTSON. That is not involved here, since the Commodity Credit Corporation does not stand to lose anything on the purchases for lend-lease. It is an item that is now before the Appropriations Committee, for the Food Distribution Administration, but with respect to it, I think that you have stated only one of the reasons for the school lunch program. Another of the reasons is to assure that children would get lunches.

Mr. BALDWIN. That was at a time when you had surplus commodities and you had general unemployment and a great deal of distress.

The CHAIRMAN. The simple fact is that the school-lunch program grew out of the fact that you had these enormous surpluses of food, and here was a chance where maybe there might be need for it, and it would not be otherwise supplied. That was the real excuse for that program, was it not?

Mr. HUTSON. I think that there was some of the other in it, Mr. Chairman, namely of attempting to provide certain kinds of food for children in school.

Mr. SPENCE. Will you put in the record the sales that you have made to the lend-lease? You said that you had a statement there.

Mr. HUTSON. I have a statement of the purchases that were made for lend-lease. I do not have here a statement of the sales.

Mr. SPENCE. Well, it is practically the same thing.

Mr. HUTSON. They will balance in time.

Mr. SPENCE. Except what you have held over what you have not been able to dispose of.

Mr. HUTSON. That is correct. I will include both of them, if you would like to have both statements.

Mr. SPENCE. Suppose that you put both of them in.

Mr. HUTSON. Yes, sir.

(The information requested appears on p. 195.)

The CHAIRMAN. Did you have any losses on these purchases that were made for the school-lunch program?

Mr. HUTSON. No, sir.

Mr. MONRONEY. I am very much interested in this subsidy program. I was reading in the papers the other day that the President has promised to roll prices back. Inevitably that would involve your program and would necessitate heavy losses, is not that right?

Mr. HUTSON. It depends on who absorbs the losses. The roll back that was decided upon some 2 or 3 weeks ago in the case of meat and some other commodities was a program to be carried by the R. F. C.

Mr. WRIGHT. As I understand it, that is the sort of price of industrial peace. I understand that they are trying to keep the various working people from asking for an increase in wages, so that it would not precipitate inflation.

Here is what I would like to know, and I do not know whether you can analyze this to my satisfaction or not.

Probably you cannot today, but I wonder if you could at some time answer these two questions:

What proportion of the loss in production would there be without a subsidy program, if the price to the ultimate consumer is not raised? That is the question No. 1.

And the second question is:

What would be the increase in the cost of living index if there were no subsidies and if the cost were passed on to the ultimate consumer?

Now, if you can answer those questions it gives us a better basis for deciding whether or not the program is a worth-while program.

Mr. HUTSON. I will be glad to submit a statement on those two questions.

(A discussion of these questions appears on pp. 249 and 254.)

Mr. CRAWFORD. Before you leave this other subject, let me see if we can pin this down a little more definitely this way:

Lend-lease became law on March 11, 1941.

Suppose that you had instructions to proceed to purchase for lend-lease account, 3,000,000 cases of 1941 pack of spinach.

Then through 1941 and up to the fall of 1942 they had not taken delivery of that spinach. That is, lend-lease had not.

Then they notify you that they do not want it, and give their reasons or fail to give their reasons.

That spinach then is, we will say, a year past the usual using date, date, it is the property of the Commodity Credit Corporation, is it not?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. It is up to you to dispose of it as you can?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Sell it at whatever price you can get, or junk it or salvage it in any way possible and the loss becomes the Commodity Credit Corporation's, does it not?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Now, let us take another illustration:

Suppose that lend-lease in connection with the British Isles food shortage says to you:

Purchase for us 100,000 barrels of fruit pulp, made up of citrus fruits of various kinds, low sugar content, for export to the British Isles, with the idea of that, after reaching the British Isles, sugar will be added, and the stuff prepared as a spread for bread.

Then later on, the decision is made that fruit pulp is not to be shipped, but fresh fruits or frozen fruits or sugared fruits pams are to be sent.

In that case the fruit pulp is your property, is it not?

Mr. HUTSON. Except, Mr. Congressman, we would—before we would purchase large quantities—we would have started requisitions

through and would have had them over on their books. We would start purchasing very much like an agent for any commercial house would, upon the basis of an informal statement, but immediately we would start the papers through that would fully protect us on the transaction, but there would be some goods all the time uncovered, but you would not have a lot of transactions that were not in the process of being covered.

It takes some time to move those requisitions through and get the exact quantities fixed and the location for shipment and all of that sort of thing.

Mr. CRAWFORD. Well, have the mechanics of lend-lease, with the shipping conditions that prevailed, been sufficiently speedy to keep these individual crops like a certain requisition on the crop of 1941 or 1942 moved out of the way so that you have not been caught with any of these items similar to the ones I mentioned?

Mr. HUTSON. None of those items disturb us. I look over these items from time to time to see what the stock positions are and to see if we are covered, and there was one occasion when it seemed to me that we had more evaporated milk than we would get ships for, and I immediately brought it up for attention, and some of the milk was released back to the people from whom we had purchased it and it went into the distributing system again. We are continually watching for that type of thing.

Mr. CRAWFORD. On the question of milk, does evaporated milk stored in cases have to be turned from time or time to prevent spoilage?

Mr. HUTSON. I understand so.

Mr. CRAWFORD. Have you had any spoilage on evaporated milk?

Mr. HUTSON. I think that there has been some.

Mr. CRAWFORD. You do not know how much?

Mr. HUTSON. No.

Mr. CRAWFORD. Is your situation such that it is possible for you to carry evaporated milk over long periods of time and keep it in condition, or, in other words, if you are forced to carry it, must spoilage inevitably follow?

Mr. HUTSON. If we had to carry it for a long period I think some spoilage would follow.

Mr. CRAWFORD. So that you have your machinery now organized so that you can watch that?

Mr. HUTSON. That is right.

Mr. CRAWFORD. And before the spoilage date you can throw it back into the channels of consumption?

Mr. HUTSON. We try to in the case of all commodities, if we think that we are reaching the danger point we try to move it, of course, before we get into the danger zone.

Mr. CRAWFORD. By taking title, and controlling the ownership of all goods purchased by Commodity Credit for the account of Lend-Lease, based on Lend-Lease requisition, it being your property, you can move on the basis of your own judgment and thus prevent loss in that way?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. But if at the end of the duration, we will call it, you are loaded with this traveling or in-transit stock purchased on the basis of Lend-Lease requisitions—



Mr. HUTSON. Upon a basis of recommendations subject to requisition.

Mr. CRAWFORD. You are loaded then at a given time and the market breaks precipitously, that is where your real loss may occur?

Mr. HUTSON. You would need a small reserve against that contingency, which is being built up for such a contingency.

Mr. CRAWFORD. Through your assessment of the overhead of 1 percent?

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. Now, if you run into situations where that overhead is not, in the judgment of the administration of the Commodity Credit Corporation, covering the reserve or building the necessary reserve, are you in a position to increase that overhead?

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. That comes about through negotiation?

Mr. HUTSON. Yes, sir; that is correct.

Mr. CRAWFORD. So then would you say that in your judgment there is no possibility of a loss, say, approximating a quarter of a billion dollars?

Mr. HUTSON. Yes, sir, I would say there is not; in my judgment, the loss could not conceivably be as much as a quarter of a billion dollars.

Mr. CRAWFORD. Now, may I ask a question or two in connection with page 9 of your statement, your formal statement?

The CHAIRMAN. Before you leave that, do you contemplate that you may sustain a loss of approximately \$250,000,000?

Mr. HUTSON. My best judgment is that there will be no loss. I will give you the history.

The CHAIRMAN. That is what I was trying to get.

Mr. HUTSON. In the beginning, the overhead charge was 2 percent and that went on for some months, and we watched to see how the operation was being carried out and it appeared that that was more than was necessary to carry, that is for the financing, and as contingency against loss.

The CHAIRMAN. So as a matter of fact you have changed your policy in order to prevent accumulating a profit that was not desirable?

Mr. HUTSON. That is correct, and we have adjusted now to a figure of 1 percent which we do think is sufficient to cover the financing and as a contingency fund for losses.

Mr. CRAWFORD. Let us take the one item of \$75,000,000 worth of coffee, down in Brazil.

I think that you and I are both familiar enough with coffee history during the past 15 years to appreciate that with just a few little changes as between international relations, you could either lose the entire \$75,000,000 invested in that one item, especially if you run on another year or two, accumulating, supporting production in Brazil and accumulating additional storage stocks.

Now, that observation is based on the experience that Brazil has had, in her attempt to stabilize coffee prices, through controlling production and where production failed to occur, where the coffee was destroyed, so when I mentioned the \$250,000,000 or a quarter of a



billion dollars, I thought that I was using a rather low figure compared to these big risks that we are naturally assuming.

Of course, I never expect a man to be an owner and at the same time not carry the risk of ownership, because ownership always carries risks, and certainly the Commodity Credit Corporation as owner will have to carry these risks.

But I think that we will be exceedingly fortunate if you hold it within \$250,000,000, because of the vast field over which you operate and the necessary looseness in the control, these slippages in the belt that occur and the losses there and you cannot do much about it.

I agree with the chairman 100 percent that lend-lease should at all times have an agreement with the Commodity Credit to completely underwrite and assume every penny of loss that the Commodity Credit can possibly incur, in the handling of goods purchased on the basis of agreements and later requisitioned through lend-lease and I think it would be only fair to Commodity Credit and for the Congress to do that very thing.

If they do not do it voluntarily, I think that this committee should amend the Commodity Credit Act.

The CHAIRMAN. If they do not do it we are just legislating in the dark.

Mr. CRAWFORD. Not only that, but we are encouraging the Commodity Credit to go crooked.

Mr. SPENCE. They ought to act as agent for the lend-lease, that is all.

Mr. CRAWFORD. That is right.

Mr. HUTSON. I think it is entirely possible, Mr. Chairman, at this stage, and I have brought this to the attention of the people administering lend-lease funds, for them to advance this money prior to the time that the purchase is made, and thus leave us out of it entirely and consideration is being given to that at the moment.

In the beginning I don't think that it would have been possible for the goods to have been purchased and moved with anything like the speed with which they were purchased and moved, except by having some purchasing and holding agency to draw upon.

The CHAIRMAN. They do not have any difficulty in the world getting all of the money that they need from Congress, and all they have got to do, as Mr. Crawford says, is underwrite or open an account to your credit, and let you check against that, as you make your purchases for them, which they are to underwrite.

It is not a difficult matter to do, it seems to me, which would take you out of that field of activity in a practical way, and at the same time give them the benefit of your service in conducting the transaction.

Mr. HUTSON. Here is the difficulty on a complete underwriting. We put the totals together that have been decided for these various uses, and in the early stages there were substantial portions going into other uses.

For example, we would have a request from Red Cross to make a certain purchase or from lend-lease, or for the school lunch program, and we would make those purchases, and you might shift that from one to the other, depending upon the agency that could use it at a particular time.

I want to go back to coffee, lest we not have a clear understanding.

Coffee is not purchased in connection with the lend-lease program. Coffee is purchased in connection with the foreign purchase program, and the most important reason was the fact that we wanted to divert ships for some other uses, and we wanted to protect the Brazilian people in their economy against loss by buying their commodity.

In other words, when we have cut down——

The CHAIRMAN. Just a minute right there. Now, that is a matter that grows out of the necessities of the war program?

Mr. HUTSON. That is correct.

The CHAIRMAN. It is done for partly diplomatic or strategic purposes?

Mr. HUTSON. That is right.

The CHAIRMAN. As a part of our program of good understanding with our neighbor countries.

Mr. HUTSON. Possibly to get ships to ship lend-lease goods to England.

The CHAIRMAN. In connection with the war program.

Mr. HUTSON. Yes, sir.

The CHAIRMAN. Now, why should you not be protected in those purchases, and in those transactions, treating it as a part of the war program, instead of involving the Commodity Credit Corporation in a possible loss of large sums, not growing out of the normal activities of the Corporation or any part of your own business so to speak, but for the lend-lease and as a part of the war program, whether it is lend-lease or what not, as part of the war program?

Mr. HUTSON. Now, what particular source of that protection? I am more concerned about this than you are.

The CHAIRMAN. That is easy. The War Department can get all of the money that they want for that or anything else; they never have been refused a dollar without coming in to some place to take over funds that were not intended for them and not appropriated for them, and they never dreamed would be spent for them.

Mr. KEAN. Rockefeller, of the State Department, is where this belongs.

The CHAIRMAN. They have their part in it, but they can get their money from the proper source instead of coming to an agency that was not intended to do that part of the work.

Mr. CRAWFORD. Mr. Chairman, if we are going to come out here and create and philosophize and sanctify the Commodity Credit primarily as a shock absorber for American agriculture, and sell our people on the idea and convert the Congress to the idea and then come along and let Commodity Credit get out on all of these other things, my prediction is that in due course something will happen that will cause the whole thing to become stigmatized and the first thing you know the bottom will be kicked out from under American agriculture.

I do not think that the Commodity Credit has any business in those fields whatsoever on its own. I do think that you are awfully smart in having the Commodity Credit make all of these purchases, but let these other agencies carry their own risk at all times, and do not burden Commodity Credit with it.

The CHAIRMAN. We certainly never contemplated, that is, this committee, handling legislation that had directly the financing of the war program.

Mr. TALLE. Will you review what you stated about the committee or the board which makes purchases for you? Do I understand that they are all officials within the Department of Agriculture?

Mr. HUTSON. The Department of Agriculture would be concerned with what goods we could furnish without burdening unduly our people in this country. The people from the British side of the table would be concerned with what goods they could get and the two groups would come to a meeting of the minds that a certain quantity of goods could be purchased safely.

We would immediately start the purchase of the goods and start the requisitions through in the normal way, through the Lend-Lease Administration, and then when these requisitions were through, the delivery of the goods would be made.

Mr. TALLE. The people then who do the actual purchasing are not United States citizens altogether?

Mr. HUTSON. Oh, yes; entirely.

Mr. TALLE. They just counsel with other foreign purchasing commissions, is that right?

Mr. HUTSON. The Food Distribution Administration makes the purchases for the account of Commodity Credit Corporation, after consulting with the foreign representatives.

Mr. TALLE. I understand.

Miss SUMNER. Mr. Hutson, do you remember the exact date of the conference at Rio de Janeiro referred to here on page 14? Was not that in either the early part of 1939 or the latter part of 1938?

Mr. HUTSON. I think that that conference was in January of 1942, the one that I referred to here.

Miss SUMNER. The one that you referred to was in 1942?

Mr. HUTSON. Yes.

Miss SUMNER. Well, this is the first official statement I suppose that you call it, where I have noticed that this country was pledged to support the economies of our neighbors to the South.

Now, when Mr. Jones was here on the South American bill, he said specifically, as I recall, that at that time they were not pledged, so that this is something new here that must have occurred at that conference.

Where is the legal authority to support the economies of South America?

Mr. HUTSON. Well, I will ask Mr. Shields in just a moment to talk on the legal authority for the purchases. I will explain why some of the purchases were made, and the situation that prevailed. I will take a simple case, one that I myself participated in negotiating. That is the purchase of Peruvian cotton.

That was the first purchase that was made by the Commodity Credit Corporation, and I participated in that. The situation was this:

These purchases started about a year ago. Japan the previous year had bought that crop of cotton, and they wanted somebody that knew something about handling of cotton, and what it was worth to go in there and make some proposal that was comparable with the action that might have been taken except for the fact that we were keeping the



Japanese ships out of that area, and did not propose to let them come into that area and buy cotton.

So we purchased that cotton, taking the place of the purchaser that we were helping to keep out because of the war.

The CHAIRMAN. Mr. Hutson, everybody recognizes the wisdom, I think of the program that has been followed with respect to our South American countries, the diplomatic features of it, and it seems to have been wise and constructive. I do not think that that question is involved here. But whatever was done about those things as a part of the war expense should be covered or taken care of out of war funds that are appropriated by Congress for that purpose.

Miss SUMNER. I agree with you, Mr. Chairman. What I am trying to get out is how much is this going to cost when we undertake to support the whole economies of South America.

The CHAIRMAN. You are raising the larger question which is all right, and which is very legitimate. I am not quarreling about that. I am not raising any question about that. But whatever is done about it should be done under specific authorization of Congress, and anything that is done down there just such as your transaction to which you refer, I am not questioning the wisdom of it so far as the act itself is concerned, but I do not think the Congress intended or that it is desirable that the Commodity Credit Corporation should finance any part of the war, as such. That is the point I am making.

Mr. CRAWFORD. May I ask this question with reference to the legal approach and you may have your legal counsel answer this, Mr. Hutson.

Does not or has not Congress under lend-lease, and the master agreements which have been consummated thereunder, and the secret and special lend-lease agreements with the Latin-American countries consummated thereunder, have full authority to proceed with a program of supporting those South American country economies?

Mr. SHIELDS. I think, Mr. Congressman, they have full authority to buy those commodities that are needed for their purposes; yes.

Miss SUMNER. To the extent of the appropriation, you mean.

Mr. CRAWFORD. To the extent of whatever is involved in the lease-lend appropriation.

Miss SUMNER. If the amount appropriated is \$5,000,000, it is to that extent.

Mr. CRAWFORD. We have passed \$60,000,000,000.

Miss SUMNER. You remember the item that we considered when Mr. Jones was here with his bank bill, the item of exports alone that would be lost during the war, the exports that were usually taken to Europe, amounted to half a billion dollars a year, was it not?

Mr. CRAWFORD. I do not recall.

Mr. SHIELDS. I would like to say on this point, Mr. Chairman, that 2 years ago when we were here you will recall Mr. Robbins and Milo Perkins at some length went into the setting up of this so-called revolving fund. At that time the revolving fund was \$90,000,000 and it was stated that it would be used to make purchases, in anticipation of requirements, for lend-lease, for school lunch, for Army and Navy, and for Red Cross, and so forth.

Now, at that time the benefit of a flexible fund, as Congressman Crawford started to point out, from which purchases could be made in anticipation of lend-lease requirements was apparent.



The revolving fund was used to buy agricultural commodities at a time and in places where it supported the farmers' market. If those purchases had been made by lend-lease or by Army and Navy or someone not as familiar with agricultural needs, they would not have been as effective in helping agriculture at the time.

Now, since prices are bumping the ceilings, the need for flexibility is not so apparent, but the time may come again when the need to have the control of agricultural purchases in one place, sympathetic to the support prices needed by farmers, is a great deal more apparent than it is now.

Three or four people took the stand 2 or 3 years ago when we were here, and went into the beginning of this operation. At that time, it was only 3 or 4 months old.

The CHAIRMAN. And under the Agricultural Act, or somewhere there was an authorization for \$50,000,000, as I remember, for the Agricultural Marketing Administration, was there not?

Mr. SHIELDS. Yes, Mr. Chairman, that was also discussed. It was a specific authorization by Congress for the A. A. A. to borrow from Commodity Credit Corporation annually, not in excess of \$50,000,000 a year, to anticipate crop insurance premiums, county association expenses, and to buy conservation materials.

At that time I explained in agreement with your position, Mr. Chairman, that the Commodity Credit Corporation could not be used as a bank for the purpose of loaning money to other agencies of the Department, thereby augmenting their appropriations. Therefore we came to Congress for a law authorizing us to finance that A. A. A. operation.

Now, then, in this case Mr. Hutson explained it in lay terms what actually is happening.

The CHAIRMAN. Just before you leave that, of course you understand that the legislation to which you referred not only was not intended to deal with the conditions that exist now, and the operations that seem to be under way and that are contemplated, but was in fact prior to the war.

Mr. SHIELDS. Oh, yes; that was in 1939, I think, or 1940, Mr. Chairman. Legally, under the operations that Mr. Hutson has been discussing, the Commodity Credit does the buying and takes title in its own name. Now, the Food Distribution Administration acts as the agent for the Commodity Credit Corporation in many cases in making these purchases. But it is the Commodity Credit Corporation that is the principal engaging in these activities and revolving its fund. After the commodities are purchased, as Mr. Hutson indicated, they are sometimes disposed of to the Army and sometimes to the Navy, and sometimes to Lend-Lease, and sometimes for school lunch, and so forth. I want to point out again that in 1940 this program, in its inception, use, and operation were gone into.

The CHAIRMAN. Without the slightest contemplation of what has been done since the war began or that such things would happen.

Mr. SHIELDS. I am not too clear about it, but as I recall it, in the first or second lend-lease appropriation there was either a billion or a billion and a half for agricultural commodities, with a half a billion which was thrown on the shelf, so to speak, to protect commitments

to farmers so that if the war did end abruptly there would be half a billion dollars revolving fund there to protect agriculture.

I do not know what the status of that fund is at the moment.

Mr. KEAN. Where do you get the authority to support the economies of our neighboring nations?

Mr. SHIELDS. Mr. Congressman, if you will refer to the charter provisions of the Corporation, I think that it may be said that on three or four counts that the Corporation has the authority to engage in these kinds of operations.

Mr. KEAN. For the benefit of other people than the United States?

Miss SUMNER. He is not questioning your authority to engage in the operations. I think that he is asking the same kind of question that I asked; where is the authority that the administration has to support the economies of such countries?

In other words, can you say that the fact that that agreement was made in the Pan-American Conference, if it was made, is binding upon an agency of the United States Government?

In other words, it did not go through the Senate.

Mr. SHIELDS. I think that you are correct, that that agreement, unless it took the status of a treaty, and I do not believe it did, does not have the force and effect of a law extending the powers of this Corporation or extending the powers of the Federal Government.

But the Corporation has always had the power to buy and sell agricultural commodities not only domestically but abroad.

Mr. KEAN. For any purpose?

Mr. SHIELDS. No. I would not say for any purpose. I would say, clearly, it has the authority to purchase abroad where it is in the interest of American agriculture or otherwise in the public interest to do so. I mean I would not think any arbitrary—

Mr. KEAN. It is for the use of American, or is it for the use of Peruvian agriculture?

Mr. SHIELDS. But in the long-time run I think that it is in the interest of American agriculture to keep the channels of trade in agricultural commodities open, and to keep the agricultural economy here in hand.

Mr. KEAN. There is no agricultural commodity of coffee in the United States.

Mr. SHIELDS. In buying and selling in the foreign field the Corporation cannot act arbitrarily or capriciously. However, as long as it acts reasonably for the benefit of the Nation and the public interest, I think it is within its charter powers.

Mr. KEAN. Is not your answer really that your charter is so broad that you can do practically anything under the charter? That is the answer, and what we ought to do is to not renew your charter, but give you these powers in some other way, because you have got a charter that will allow you to do anything unless we tell you specifically not to do it, is not that the answer?

Mr. SHIELDS. In 1935, when Mr. Jones appeared before this committee to have the life of the Corporation extended this committee was told that under the charter this Corporation had the authority to commit murder, but, of course, it was not doing that.

Miss SUMNER. Who said that?

Mr. SHIELDS. Mr. Jones, I believe.

Mr. KEAN. I do not think that we ought to allow the renewal of the charter, Mr. Chairman. We should regulate the power in some other way. It is too broad.

Mr. SHIELDS. I would like to call attention to one thing. If this corporation had not been in existence and had not had powers available to it, in times before Lend-Lease and in times of other emergencies, where immediate action was absolutely necessary, I think that American agriculture would have suffered great disaster. These powers, which have been broad, and as everyone has recognized for a long time, have not been used except in cases of absolute necessity to take care of a disastrous situation. I think that the way in which the powers have been used is a credit to the Corporation, and I think that in this time, above all, you need to have some agency which can move and move quickly if the occasion requires.

Miss SUMNER. That is the reason we give the President his emergency checks.

Mr. SHIELDS. Along that line, if I may answer Miss Sumner, all of these programs which Mr. Hutson has outlined have been carried out under the direction of the President, under Executive order.

The President under his war powers, there is no question, has the authority to do all of these things. Also under the war powers he has authority to transfer the use of that power to this Corporation, which, by directing the Corporation to undertake certain activities, he has done. So that all of these things, even if they are not done under the charter powers expressly, can be paid to be done under the President's war powers, using the Commodity Credit Corporation.

The CHAIRMAN. Let me ask you a question right there.

We are not talking about the desirability of the things that are being done or the necessity for them, nor the good faith in which they have been done, nor the sincere purposes for which they are done. Those questions do not arise here.

Mr. SHIELDS. I understand, Mr. Chairman.

The CHAIRMAN. But there are questions of policy with respect to the exercise of this power, and it just so happens that Congress, if we report a bill to the House in a few days, is going to pass on that bill, and its provisions.

The members of this committee want to be able when we get in the House to present a bill that we can defend, and if we do not insofar as the Commodity Credit Corporation needs this legislation, we may be up against some difficulties.

We have not asked anything that is not going to be asked in that House, with a whole lot more, and it is going to be up to us to answer them, and not to ourselves but satisfactorily to the membership of the House.

Mr. SHIELDS. I also appreciate the opportunity of discussing the powers of the corporation with this committee.

Mr. SPENCE. Do you consider the source of your power, the Executive order of the President?

Mr. SHIELDS. Yes. That was the first document that had to do with the corporation.

Mr. SPENCE. That is the basis, the source of the power that you have now?



Mr. SHIELDS. No. I would say today, I believe then to save discussion, Mr. Congressman—

Mr. SPENCE. I want to read the Executive order.

Whereas in order to meet the said emergency and to provide the relief necessary to protect the general welfare of the people, the Congress of the United States has enacted the following acts:

The Agricultural Adjustment Act, the National Industrial Recovery Act, the Federal Emergency Relief Act, the Reconstruction Finance Corporation Act, the Federal Farm Loan Act, the Farm Credit Act of 1933, the Emergency Relief Act, and the Construction Act of 1932.

And whereas in order effectively and efficiently to carry out the provisions of said act, it is expedient and necessary that a corporation be organized with such power and functions as may be necessary to accomplish the purposes of said acts.

Now, whether or not the President had the power to do that, I think by 26 acts of Congress that has been ratified and approved, but is not that the limitation of your power, because you incorporated or you formed a corporation that gave you general powers under the laws of Delaware that did not increase the power that the President delegated to you?

Mr. SHIELDS. I think the Congress on January 31, 1935, and subsequent dates, ratified the Corporation's charter.

Mr. SPENCE. What is your opinion about that? I would like to know.

Mr. SHIELDS. I think that that is correct, if I understand your statement, Mr. Congressman.

Mr. MONRONEY. Is not this the legal question, whether or not your Corporation, which has been authorized to perform certain functions and conduct certain operations for a specific purpose, is authorized to conduct the same operations for entirely different purposes, which were not intended at the time of the original authorization?

Mr. SPENCE. I might say that the Lend-Lease Act was not mentioned or contemplated, and could not have been in this order, because at that time it was not enacted.

Mr. SHIELDS. As I said a moment ago, as to these acts which have to do directly with the war, like preclusive buying in South America, they are certainly within the war powers of the President. They have been done under Executive order. The legal position can be taken, therefore, that the war powers were being exercised through the Commodity Credit Corporation pursuant to an Executive order.

However, I do not think that you have to take that position, because the charter is sufficiently broad.

Mr. MONRONEY. That can rise no higher than the substantiating legislation.

Mr. SHIELDS. That is correct.

Mr. BALDWIN. Getting back to the coffee situation in Brazil, Mr. Hutson, was—

Mr. SPENCE. I want to know if you have any other authority. Do you claim any other authority except the Executive act?

Mr. SHIELDS. The Executive order, Mr. Congressman, to which you refer was issued pursuant to section 2 of the National Industrial Recovery Act, which gave the President authority to create such agencies as he thought necessary to carry out the purpose of that act. Pursuant



to the Executive order the charter was filed and the Corporation was set up. Section 2, which authorized the Corporation to be formed, also provided that any agency formed under that section would expire in 2 years. Consequently, legislation was necessary in 1935 to extend the Corporation as an agency of the United States. On January 31, 1935, the Congress recognized the establishment of the Corporation and its charter powers and continued the Corporation "as an agency of the United States."

Mr. SPENCE. You do not contend that because you went to Delaware and organized a Corporation that you enlarged the powers delegated by the President by Executive order, do you?

Mr. SHIELDS. No, sir; I do not claim that the Delaware law can enlarge the Federal powers.

Mr. SPENCE. Was there any other Executive order that increased your powers? Is this the only Executive order under which you have operated? I do not think that there is any question that that has been ratified and approved by the Congress.

Mr. SHIELDS. That is the basic Executive order which set up the Corporation.

Mr. SPENCE. There is no other Executive order which changed that?

Mr. SHIELDS. Having to do with the establishment of the Corporation; no.

Miss SUMNER. There is a question; part of that N. I. R. A. was held unconstitutional, was it not?

Mr. SHIELDS. That is correct.

Miss SUMNER. What is that part?

Mr. SHIELDS. I do not know whether this section was or not. I do not remember at the moment the date of the invalidating decision, but in any event the Congress having recognized the establishment of the Corporation in effect ratified it and continued it for 2 years on January 31, 1935.

Miss SUMNER. Yes; but his order under that statute, if that statute was held unconstitutional, would not define the powers of the corporation as they exist today.

The ratification, then, I believe that the ratification of the Congress would only recognize it as a de facto going corporation, and only recognize the power that you were using at the time, and that would not necessarily define it.

Mr. SHIELDS. The part of the National Industrial Recovery Act declared unconstitutional dealt, I believe, with industry codes. There were other provisions in the National Industrial Recovery Act. I do not think that you would say that section 2 fell under that Supreme Court decision.

Miss SUMNER. You do not know as a matter of fact whether that decision was supposed to declare that.

Mr. SHIELDS. I think it was restricted to the industry codes.

Miss SUMNER. Are you sure it does not cover the section that governs this order?

Mr. SHIELDS. Yes; that is my opinion. I do not think that there is any doubt about that.

Mr. SPENCE. There is no doubt that your powers have been ratified by the Congress to the extent that they have been delegated to you,

but I do not think that because you were authorized to organize a corporation under the laws of Delaware that you increased your powers.

Mr. SHIELDS. That is correct.

Mr. SPENCE. If this is the limitation of your powers, I do not see how you have any authority to act or carry out the provisions of any other act except those specifically mentioned in the Executive order.

Mr. SHIELDS. Well, thinking along this line, Mr. Congressman, I said a few minutes ago that the President in wartimes has the usual wartime powers, which are—

Mr. SPENCE. That is just what I am trying to get at. Has he exercised those? Is there any other order or any other Executive order that attempts to increase your powers?

Mr. SHIELDS. Yes, sir; in Executive Order 9128.

Mr. SPENCE. Is that in here?

Mr. SHIELDS. There is a reference to it on page 57.

Mr. SPENCE. That is what I wanted to know.

Mr. SHIELDS. That order itself does not happen to be in here but it is referred to on page 57 in the joint order clarifying the functions and responsibilities of the Commodity Credit Corporation and the Board of Economic Warfare.

Mr. SPENCE. When was that issued?

Mr. SHIELDS. That was an agreement between the Secretary of Agriculture and the Chairman of the Board of Economic Warfare. In Executive Order 9128 of April 13, 1942, the President set up the Board of Economic Warfare, gave it control over imports and exports, and broad authority to procure through other Government agencies commodities of all kinds in foreign countries.

Now, pursuant to that Executive order wherein it seems to me that the President delegated to the Board of Economic Warfare certain of his war powers, the Board of Economic Warfare directed the Commodity Credit Corporation to engage in a great many of these foreign procurement programs.

So that you can, in effect, say that the Commodity Credit Corporation is carrying out the war powers of the President.

Mr. SPENCE. There has been no specific change in your powers by any direct action, has there?

Mr. SHIELDS. No; that is right.

Mr. SPENCE. In other words, you have delegated a power to an agency that has been delegated to you.

Well, I do not know whether the old rules of law apply or not, but I have always understood that the powers that were delegated could not be delegated unless there was specific authorization.

Mr. SHIELDS. Let me go back over this, Mr. Congressman. In my opinion the Commodity Credit Corporation, under its charter, has sufficient authority to make these foreign purchases right there. You can stop there.

Now, even assuming that the charter powers can be used only to implement the purposes of the statutes named in the Executive order creating the Corporation, the purposes of these statutes are sufficiently broad to permit foreign purchases. Moreover, it has the authority under direction from the President to do things which the President can do under his war powers.

Mr. KEAN. Did the Board of Economic Warfare direct you to make these purchases?

Mr. SHIELDS. In a number of these cases we had directives from B. E. W. to make these purchases.

Mr. KEAN. In other words, you believe that the President's authority to the Board of Economic Warfare was such that, for instance, if they were to say that the entire \$1,000,000,000 that we might authorize should be used for purposes of the Board of Economic Warfare, and not for the purposes of helping the farmers in this country, would you have to do it?

Mr. SHIELDS. That is a pretty theoretical question, Mr. Congressman.

Mr. KEAN. No; it is not; because they would not say the entire \$1,000,000,000, but say three-quarters of the \$1,000,000,000; they did that to a large extent with the R. F. C., and they are doing it.

Mr. SHIELDS. That is correct. If there was no question as to their authority to engage in such a transaction, I think that the President, through B. E. W., could direct the Commodity Credit to make such purchases; yes.

Mr. MONRONEY. Would not it be better if we had a clear expression of legislative intent, and these activities that you are carrying on, if you intend to carry them on, that Congress should specifically authorize them? Would not that be clearer legislation than to have to argue these points which may possibly be correct, but at least are highly inferential and debatable?

Miss SUMNER. You have never had a specific order of the President authorizing you to accept delegations of power from B. E. W.

Mr. SHIELDS. Under the food order, Executive Order 9280, which set up the Food Administration in the Department of Agriculture, the Secretary of Agriculture determines the quantities of food that are to be imported for food purposes. Jointly with the Chairman of the War Production Board he has the authority to determine the foods that are to be imported for industrial purposes. That was changed, the authority in 9280 was a change over the situation which existed before that time, when the basic authority was in the War Production Board, and they exercised it through the Board of Economic Warfare.

At the present time the War Food Administration has the basic authority for determining the food that is to be imported into this country for food purposes.

Mr. WOLCOTT. If your charter is broad enough to allow you to carry out a directive of the President, you can do so. Subsection (e) of section 2 of your articles of incorporation provides that without limiting the generality of the foregoing, you are authorized to borrow money for the purpose of purchasing, storing, handling, and/or processing agricultural and/or other commodities, and/or products thereof, or any surplus of the same, and to disposing of or removing the same through orderly marketing in the United States or elsewhere.

Now, the President has given authority to carry out or power or authority delegated to him through any agency of the Government, and do you consider the Commodity Credit Corporation an agency of the Government?

Mr. SHIELDS. Yes, sir.



Mr. WELCOTT. I think that there is no question but what they have got the authority to do it, and the question is whether we want to limit them.

Mr. SHIELDS. I think that the power has been there, but I think that until 1939 when we bought tobacco because the British withdrew from the market and there was this overnight disaster in the tobacco areas, the purchasing power of the Corporation was not broadly used, and I say that, together with the other things that I have said, is an example of what seems to me to be a very conservative exercise of those powers only in times when they are drastically needed. Of course, this kind of discussion between us, as to what the Corporation should and should not do, has been very helpful in determining when those powers should be exercised and when they should not be.

Mr. WELCOTT. This situation is similar to the R. F. C. set-up. We started out the Commodity Credit Corporation for the purpose of and we have always in our mind narrowed the purpose to assistance which it gave to domestic agriculture. We started out R. F. C. to create credits, and so forth, for domestic business and banking, but we have broadened the powers of R. F. C. by authorizing them to create subcorporations, so that they can go into almost any business known to people.

So we have either directly or indirectly, apparently, given Commodity Credit Corporation power to do likewise. It has gotten so big that we have not been able to reconcile it with the original purposes.

Mr. SHIELDS. The reason I mentioned this revolving fund being discussed 2 years ago was that I wanted to point out that it involved the exercise of a corporate power that we fully discussed at that time. We, therefore, considered that it was before you at the time as a power the exercise of which, under the circumstances existing then, was in general interest, but which shortly prior to that time had never been used, and but for those conditions would not have been used.

Mr. TALLE. Well, the scope of these operations reminds me of some early companies formed in England. The wording of their charters was substantially as follows: "The purposes of this charter will be revealed in due time."

Mr. FOLGER. What interpretation do you give to section 3 of the act of the Seventy-fifth Congress, which says that—

the Secretary of Agriculture, the Governors of the Farm Credit Administration and the Reconstruction Finance Corporation are hereby authorized and directed to transfer to the United States all rights, title, and interest in and to the capital stock of the Commodity Credit Corporation, which each of them now holds, all rights of the United States arising out of the ownership of such capital stock shall be exercised by the President or by such officers, agency, or agencies, as he shall designate and in such manner as he shall prescribe.

Does not that transfer the authority?

And if he makes the directive over an order, does not the Commodity Credit Corporation have to follow it?

Mr. SHIELDS. If who does?

Mr. FOLGER. If the President does.

Mr. SHIELDS. Yes. This particular section just said that the stock as I understand it would be held by the Treasury of the United States, rather than by the three persons who are referred to here, who held



it before. The stock of the corporation is now held by the Treasury on behalf of the United States and it is voted by the War Food Administrator.

Mr. FOLGER. And it says in direct language it is transferred to the United States, all right and title and interest in and to the capital stock of the Commodity Credit Corporation, and then that the President of the United States and such agencies as he may direct shall prescribe such functions as he may designate.

Mr. SHIELDS. I agree with you that the President, as the head of the administrative branch of the Government, represents the stockholders in the case of the Commodity Credit Corporation in the ultimate sense.

Mr. FOLGER. And he has the authority in making these orders.

Mr. SHIELDS. Yes.

Mr. SPENCE. I do not think that these things are all said in hostility. I think that it is necessary to know what your powers are, and I think that we ought to thresh that out because the Congress will want to know them. I think it is very essential to discuss them.

Mr. SHIELDS. I am glad to discuss them, because I have to pass on these things, and it is not too easy to know just what you can do, and in an area where you have broad power, you don't like to say that; it is just difficult to draw the line. It assists me in drawing the line to refer back to what Congress said in some discussion, as to where the line should be drawn, so I am personally very glad to have gone into this thoroughly.

Mr. SPENCE. It seems to me that the way you have drawn it, the sky is the limit and the compass the horizon.

Mr. SHIELDS. I would agree with you that the authority basically might be considered that broad, but it seems to me that it has not been exercised that way at all. When you consider the trend of events and the length of life of this Corporation, it seems to me that the powers have been exercised extremely conservatively.

Mr. KEAN. This committee did not kick to what you had been doing when you were helping farmers in this country.

Mr. SHIELDS. This committee is always very searching, which is the way it should be, I think.

Mr. FOLGER. I think it relates itself to this: The suggestion made by Mr. Cross, when you come to purchases for lend-lease, that you have an accounting by which the lend-lease funds will account for any loss, and that is one important feature. So that the Commodity Credit Corporation will not be chargeable with the conduct of the war in that respect. Is not that the important part of it?

Mr. SPENCE. I think that that is a very essential part. Now, is there anything further?

Mr. HUTSON. If you want to conclude this statement, it is not too long. There is a little more than that. There are three or four pages.

Mr. WOLCOTT. I know that you and all of the other members of the committee are anxious to conclude as early as possible, but we have not got him here, and I expect that you will be back tomorrow.

Mr. HUTSON. Yes.

Mr. SPENCE. I think that we shall adjourn until tomorrow.

We will adjourn until tomorrow morning at 10:30.

(Thereupon, at 4:55 p. m., the committee adjourned, to reconvene at 10:30 a. m., Tuesday, May 25, 1943.)

# CONTINUANCE OF COMMODITY CREDIT CORPORATION

TUESDAY, MAY 25, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
Washington, D. C.

The committee met at 10:30 a. m., Hon. Henry B. Steagall, chairman, presiding.

## FURTHER STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION

The CHAIRMAN. Mr. Hutson, you had not concluded your statement you were making yesterday afternoon and the committee would be glad to have you resume where you left off.

Mr. HUTSON. Yesterday Congressman Spence requested certain information with respect to the purchases in connection with lend-lease activities. I am submitting for the record the information requested.

*Purchases and sales by Food Distribution Administration under the general commodities purchase program, for the account of Commodity Credit Corporation, as of Apr. 30, 1943*

### Purchases:

Paid for-----	\$2,150,487,375.68
Deliveries not paid for-----	93,624,469.80
Undelivered contracts-----	193,676,392.82
Total-----	<u>2,437,788,188.30</u>

### Sales:

Delivered (cash)-----	1,296,093,268.32
Not delivered-----	970,200,897.56
Total-----	<u>2,266,294,265.88</u>
Unsold inventory-----	171,493,922.42

### EXPLANATION

Under the program purchases and purchase contracts from the beginning of the program, March 12, 1941, to April 30, 1943, amounted to nearly \$2,438,000,000.

Deliveries under sales contracts for Lend-Lease, Army, Navy, and other agencies amounted to \$1,296,000,000. Contracts for sale upon which deliveries had not been completed, as of April 30, amounted to \$970,000,000.

The unsold inventory as of April 30 amounted to \$171,000,000.

In most cases sales contracts, in the form of approved requisitions from the Office of Lend-Lease Administration, and firm commitments from other agencies, are obtained prior to the time purchase contracts are let.

Because of the seasonal nature of agricultural production it is necessary to make purchases during the season of heavy production or marketing if sufficient

supplies are to be obtained and if prices to farmers are to be supported by the purchases. Commodities which are available in large quantities during only certain periods of the year are dairy, poultry, and livestock products, and vegetables.

Moreover, in order to bring about sufficient production of the required commodities it is necessary in certain cases to announce prices at which purchases will be made in advance of the planting season. Naturally, when such price guarantees are made it is necessary to take all of the commodity offered at the announced price. As a result of this operation, inventories of particular commodities may be at times in excess of requisitions on hand. For other commodities it may not be possible or feasible to acquire the entire quantity requisitioned.

For the above reasons the difference between the total volume of the purchases and the total volume of sales and requisitions, amounting to \$171,000,000 on April 30, may differ from the figure that would be reached if each commodity were treated separately. The figure does, however, reflect the fact that, in general, purchases are covered by requisitions and sales contracts.

In the operation of the several supply programs it has proved more satisfactory to hold the commodities under the general commodities purchase program until delivery is required by a specific agency than to transfer the commodities immediately to the other program such as the lend-lease program. The procedure followed has given greater flexibility and enables the commodity to be diverted from a single stock pile to any of the agencies having the greatest immediate need. This accounts for the large volume of unfilled sales, commitments and requisitions and of undelivered commodities.

Mr. HUTSON. I would like to add just one word with respect to how these purchases can be made. Mr. Davis in his testimony referred to purchase of flue-cured tobacco, that is the cigarette type of tobacco grown in the Carolinas, Virginia, and Georgia. In 1939 when the war started the British companies withdrew from the American markets. They had been the most important buyer of this type of tobacco. The markets were closed. Purely to protect the price of the commodity the Commodity Credit Corporation entered into a purchase arrangement for this type of tobacco. Later when the supplies that were held in the United Kingdom were approaching a danger point from the standpoint of maintaining the output of their products they came in and acquired tobacco from these stocks under the lend-lease arrangements. More recently we have worked out an arrangement under which we furnish tobacco for the naval and military forces and sell them tobacco from these stocks. We just recently made a sale amounting to \$55,000,000 to the British Government for civilian consumption. I mention this so that you may see the tie-in (1) when protecting the prices to the farmer and (2) with the acquisition of supplies the disposition of which cannot be known at the time you get the supplies, and it might be difficult and it certainly would be more complicated to work out an arrangement where each of those items would stand on its feet from the beginning. For example, in the case of the tobacco certainly the purchases would not have been made until a year later if we waited until they needed the tobacco for lend-lease because in that case they carry normally about a year and a half supplies in the United Kingdom but when war came they needed their exchange. They needed the shipping for something else more than they need it for tobacco. So they used up these supplies for a time and the effect of the lend-lease operation is to carry the stocks in this country that formerly were carried in warehouses in their own country. That plus the other demands seems to me to warrant acquisition of these commodities at one place



and later distributing to particular needs for which they will be put.

The CHAIRMAN. I do not think there would be any objection, so far as I can see, to your serving as purchasing agent for the War Department for any of these things, but when you take over the responsibilities and functions of the War Department and undertake to finance that program and take the risk incident to it that seems to me to raise a question of whether that does not lead to confusion and a division of authority that is not necessary.

Let me ask you over what period do the transactions run which are represented by the stocks you have on hand in the amount you just named?

Mr. HUTSON. Well, with respect to the total purchases they are for a period of about 2 years and represent about \$100,000,000 a month.

The CHAIRMAN. I am talking about those stocks you have on hand.

Mr. HUTSON. These stocks that are now held have been acquired for the main part within the past 6 months. In the case of tobacco we now have some tobacco that was acquired in 1941.

Mr. SPENCE. How much burley tobacco do you now hold?

Mr. HUTSON. The Commodity Credit Corporation does not have title to any burley tobacco at the present time.

Mr. SPENCE. You have some loans on it, haven't you?

Mr. HUTSON. We have made some loans through some cooperative associations in the burley area. I think practically all, if not all, of that tobacco has been sold by the cooperatives and I do not believe we are underwriting any loans made by cooperatives at the moment. There will be a loan program announced in accordance with the law for burley tobacco prior to the opening of the markets in December.

Mr. SPENCE. Have you purchased any burley for lend-lease?

Mr. HUTSON. A small quantity to be used in certain types of cigarettes. Some of these, I believe, were manufactured in this country. I can submit for the record exact figures on that point.

(Purchases of burley tobacco for lend-lease amounted to 493,677 pounds.)

Mr. SPENCE. You have purchased considerable for cigarettes, haven't you, for lend-lease, American manufactured cigarettes?

Mr. HUTSON. No. The cigarettes that are used by our armed forces are purchased primarily by the purchasing agents of the Army and Navy Departments. We do not participate in that in any way.

Mr. SPENCE. You do not have any purchases of that kind under the lend-lease program?

Mr. HUTSON. I think there were one or two small lots of cigarettes that were purchased to be stored in this country to be used for sailors who came into our ports. They were relatively small items.

The CHAIRMAN. What do those stocks consist of?

Mr. HUTSON. The stocks of these commodities?

The CHAIRMAN. Yes. The stocks on hand.

Mr. HUTSON. I will have to supply that for the record. I do not have a detailed statement of it for you.

Mr. CRAWFORD. Would that \$75,000,000 of coffee be included in the \$175,000,000?

Mr. HUTSON. It would not, Mr. Crawford. That was under the foreign purchase program.



Mr. CRAWFORD. The \$171,000,000 are unsold?

Mr. HUTSON. It is general commodities which includes lease-lend. They are domestic commodities.

(The statement referred to is as follows:)

*Inventory of lend-lease commodities on hand Mar. 31, 1943*

Fats and oils.....	\$16,625,991.67
Meats.....	138,162,377.01
Dairy products and poultry.....	98,413,153.27
Grain products.....	32,632,774.70
Fruits and vegetables.....	47,164,081.73
Naval stores, cotton, and tobacco.....	35,377,424.67
Special commodities.....	40,147,432.46
Total.....	408,493,239.51

NOTE.—Includes commodities that have been requisitioned by lend-lease but not delivered.

The CHAIRMAN. What stocks have you on hand that represent foreign purchases?

Mr. HUTSON. At the present time we have some cotton. We have a considerable quantity of sugar on hand. We have a sizable quantity of coffee on hand and some fats and oils and oil-bearing materials. Those are the major items.

The CHAIRMAN. Oil-bearing materials?

Mr. HUTSON. Such as the babasu nuts, castor-bean, and so forth.

The CHAIRMAN. Now, if you do not have those amounts would you break down and put in the record a table showing just what they consist of?

Mr. HUTSON. Of foreign commodities?

The CHAIRMAN. Yes.

Mr. HUTSON. I will be glad to supply it.

(The statement is as follows:)

*United States Department of Agriculture, Commodity Credit Corporation, commodities owned Mar. 31, 1943, foreign purchases on hand Mar. 31, 1943*

Commodity	Quantity in pounds	Cost
Fats and oils:		
Babasu kernels.....	22,790,182	\$1,893,518.65
Babasu oil and meal.....	9,289,365	689,875.19
Cashew oil.....	3,859,468	813,977.65
Castor oil.....	7,712,421	771,176.84
Castor seed.....	43,390,109	1,693,662.13
Coconut oil and copra meal.....	112,617,656	8,706,278.57
Copra.....	87,646,976	4,618,679.36
Cottonseed oil.....	1,429,646	149,698.21
Linseed oil.....	20,310,613	1,126,448.43
Muru Muru oil and meal.....		37,035.64
Neat's-foot oil.....	343,145	50,208.72
Oiticica oil.....	4,423,038	873,752.66
Ourieury kernels.....	224,356	13,431.46
Palm kernel oil.....	863,360	71,759.11
Palm oil.....	37,630,163	2,336,741.67
Rapeseed oil.....	13,768,071	1,344,416.67
Seal oil.....	374,080	28,090.83
Sesame oil.....	903,459	120,845.09
Sperm oil.....	13,336,370	915,014.19
Sunflower oil.....	28,910,459	2,483,144.54
Tueum oil and meal.....		42,735.74
Tung oil.....	24,838,511	8,708,621.27
Whale oil.....	2,034,066	142,543.12
Menhaden oil.....	4,116,126	349,643.29
Sardine oil.....	27,087,857	2,421,591.65

*United States Department of Agriculture, Commodity Credit Corporation. commodities owned Mar. 31, 1943, foreign purchases on hand Mar. 31, 1943—Con.*

Commodity	Quantity in pounds	Cost
Other:		
Cocoa (South America).....		\$83,445.44
Coffee:		
Pan-American.....		140,509.62
South America.....		101,632.72
Cotton:		
Egyptian.....	5,333,284	2,009,003.24
Puerto Rican.....	29,579	32,482.47
Peruvian.....	15,366,839	2,981,448.03
Flax (Peruvian).....	2,904,571	1,349,761.40
Glycerin.....	1,477,592	242,958.64
Livermeal (New Zealand).....	2,688,440	214,475.80
Rotenone.....	787,136	158,475.74
Sugar (Cuban).....	2,057,854,517	55,628,953.72
Tea.....	21,968,742	10,661,933.02
Flax (Canadian).....	324,225	125,995.58
Pyrethrum.....	1,127,878	273,000.27
Total.....		114,406,966.37

The CHAIRMAN. By what method do you finance, or did you finance these transactions to which you have referred totaling \$2,437,000,000?

Mr. HUTSON. Do we carry a statement on that, Mr. Rathell?

Mr. RATHELL. Our financing is all now done through the Treasury. We borrow from the Treasury. Actual payments for the purchases are made through the Food Distribution Administration in the field who certify vouchers to the Federal Reserve banks and the payment is made by the banks directly to the seller. The money for that comes through the Treasury Department where we give our notes for the funds that are needed.

The CHAIRMAN. Do you keep within the limit of your borrowing?

Mr. RATHELL. Yes, sir.

The CHAIRMAN. And you endorse it to the Treasury?

Mr. RATHELL. Yes, sir.

Mr. HUTSON. We stay within the limits of our borrowing authority not only with respect to the amount of notes outstanding, Mr. Chairman, but also with respect to the loans that are made by banks which we underwrite in connection with our lending operations. The most common method of making loans on crops is for the farmer to go with a certification from the local committee to a local bank. That certification may be accompanied by a warehouse receipt if it is a public stored commodity, or if it is something stored on the farm, merely by certification of this local committee. He files these papers in a local bank. The local bank advances the funds to the farmer. We are responsible for that loan.

The CHAIRMAN. You underwrite the loan to the bank and then undertake to take it off the hands of the bank at any time if the bank so desires?

Mr. HUTSON. That is correct. We count that as obligated funds.

The CHAIRMAN. You count that as obligated funds?

Mr. PATMAN. Mr. Chairman, will you ask him the amount of that, if you don't mind?

The CHAIRMAN. What is the amount of financing done in that way?

Mr. HUTSON. I will have to have that looked up.

The CHAIRMAN. While they are looking that up, at what rate do you underwrite and what rates do the banks charge?

Mr. HUTSON. The interest rate charged by the Commodity Credit Corporation is 3 percent. The loans carried by banks are put out on this 3-percent basis by the banks. The bank retains one-half of the interest and then remits one-half to us.

Mr. SPENCE. What is the average period of those loans?

Mr. HUTSON. They are all demand loans.

The CHAIRMAN. They are demand loans so far as you are concerned?

Mr. HUTSON. Yes.

The CHAIRMAN. They are demand loans so far as you are concerned as the matter relates to your transaction with the bank, but they are not demand loans against the borrower; that is, the farmer borrower.

Mr. HUTSON. Yes; beginning with the war the President requested that in order to keep the operations in such form that you would not have frozen commodities a demand clause be inserted in all loan agreements.

The CHAIRMAN. So as the matter stands now under your new practice you can take immediate title at any time?

Mr. HUTSON. That is correct.

The CHAIRMAN. What was the first rule about that? Your original rule did not provide that; did it?

Mr. HUTSON. In practice it works about this way: A loan is offered during the period that the farmers are selling their commodity during the normal marketing season for the commodities, with the loans maturing at the beginning of the following crop year. But there is in the loan agreement a provision inserted in each case under which we are authorized to call the loans at any time.

The CHAIRMAN. Yes; but that was not the plan under which you worked prior to this recent change to which you referred; was it?

Mr. HUTSON. The first loan agreement that carried that demand clause was in connection with the wheat loans of 1940. Up to this time I cannot recall that we have called any loans prior to the so-called maturity date. For example, we have at the moment loans outstanding on something like 500,000 bales of cotton from the 1941 crop.

The CHAIRMAN. I am not speaking about that. What I am trying to get at is the authority and the technical arrangement under which you operate, that is what I want to make clear.

Mr. HUTSON. Well, unless we needed the commodity in order to take care of civilian consumption the loans would run until the maturity date.

The CHAIRMAN. What was your contractual arrangement before you proceeded under the plan of incorporating a provision giving you the right to take title on demand? That is what I am trying to get at.

Mr. HUTSON. Well, it was exactly the same as it is now in operation without this demand clause in the notes.

The CHAIRMAN. But what was the contractual arrangement prior to that time?

Mr. HUTSON. Do you want to answer that, Mr. Rathell?

Mr. RATHELL. Prior to the inclusion of the demand feature in the notes it was the general practice to place the maturity date of the note at the end of the crop year in which the loan was made. For instance, in cotton the crop year runs from August 1 of one year to July 31 of the next year. The maturity date of cotton loans was July 31 of each year.

The CHAIRMAN. What is the provision of law under which this contractual relationship was established?

Mr. SHIELDS. The law has always been that the terms and conditions of the loan, Mr. Chairman, shall be as are prescribed by the Secretary with the approval of the President.

The CHAIRMAN. Has that been the law from the beginning?

Mr. SHIELDS. That was the law that was specifically included in the A. A. A. Act of 1938, section 302. In the beginning, before there was a specific statute, the charter had no such provision as that, but the terms and conditions were left up to the Corporation. There never has been any specific provision governing the length of the contracts.

The CHAIRMAN. That is what I want to get at.

Mr. SHIELDS. Section 302 of the A. A. A. Act of 1938 authorizes the Commodity Credit Corporation to make loans on the basic commodities and any other agricultural commodity including dairy products upon such terms and conditions as the Secretary may prescribe with the approval of the President. And as Mr. Hutson said, until the President requested the inclusion of this demand provision I think we have always operated under this crop year arrangement.

The CHAIRMAN. What was the provision of law prior to the act of 1938?

Mr. SHIELDS. There was no express law at all prior to that time. The charter governed, which gave the Corporation full discretion in the matter, except as a matter of operation, I believe even those loans were approved by the President but there was no specific provision on the point at all.

Mr. SPENCE. When can you take title to commodities as the law now exists?

Mr. HUTSON. That would depend upon the nature of the commodity. In the case of tobacco practically all the tobacco that we acquire is purchased, as contrasted with acquired, through a lending operation. In the case of a purchase, of course, title passes to the Commodity Credit Corporation when it leaves the farmers. In the case of your lending operations title generally passes to the Commodity Credit Corporation at the end of the marketing season. But from time to time loans have been extended and we have recently called the loans on some corn that was held under loan as early as 1938. We have recently called all of the 1938, 1939, 1940, and 1941 loans on corn.

Mr. SPENCE. What proceedings do you have to take to vest title under the law?

Mr. SHULMAN. In the case of loans on farm storage commodity title is taken by the farmer coming in and delivering the commodity in payment of the loan. That is a privilege given him under the loan agreement. In the case of a loan on a commodity secured by warehouse receipt, that is, where the commodity is stored in a public warehouse, title is taken by the purchase of the commodity by the Commodity Credit Corporation upon maturity of the loan for the amount loaned on the commodity.

Mr. SPENCE. You really turn this loan into a purchase, is that what you do? When you want to acquire title you don't take any formal proceeding to vest that title in the Commodity Credit Corporation?



Mr. SHULMAN. That is substantially correct, Mr. Congressman. If the market price is above the loan plus accumulated charges the farmer will pay off the loan and keep the commodity.

Mr. SPENCE. It just vests automatically?

Mr. SHULMAN. Yes; by Commodity Credit Corporation purchasing the commodity securing the loan.

Mr. SPENCE. Without any proceedings?

Mr. SHULMAN. Yes. Since it is a nonrecourse loan, the borrower can pay off the loan by delivering up the commodity.

The CHAIRMAN. Coming back to your corn transaction in which you take title, where the corn is stored on the farm the way you take title there is that he brings the corn in and he delivers it, how do you take over the corn?

Mr. SHULMAN. The loan agreement provides that the Commodity Credit Corporation shall accept delivery of the corn in full payment of the loan.

The CHAIRMAN. Yes; but that does not answer the whole question I have in mind.

Mr. SHIELDS. He turns over possession, Mr. Chairman, to the Commodity Credit Corporation.

The CHAIRMAN. I understand that. Anybody can do that if they want to.

Mr. SHIELDS. Not in payment of the loan, in full payment of the loan. Only in the case of a nonrecourse loan can they do that.

The CHAIRMAN. In the case of corn does the Commodity Credit Corporation terminate the call loan and take over the corn or is it left with the borrowers?

Mr. SHULMAN. The Corporation calls the loan.

The CHAIRMAN. The Corporation calls the loan, and which you can do under the present arrangement at any time, and which you are doing?

Mr. SHULMAN. Yes.

The CHAIRMAN. What is the purpose of changing your practice about this and inserting this clause in the contract?

Mr. HUTSON. You are referring to the demand clause?

The CHAIRMAN. Yes.

Mr. HUTSON. The purpose was to relieve a tight supply situation and make goods available if they were needed by consumers. As I say, I do not recall any case in which a loan has been called prior to maturity.

The CHAIRMAN. You have not exercised that?

Mr. HUTSON. I cannot recall a single case in which it has been done.

The CHAIRMAN. I thought you just said you had call loans on corn?

Mr. HUTSON. Those were so-called past due loans.

The CHAIRMAN. I see.

Mr. HUTSON. I am talking about before the end of the marketing season. I cannot recall a single case in which they have been called. But we do have a situation here confronting us in the period just ahead when supplies are going to be tighter than they have been heretofore and I would not want to say that it may not be necessary to call a loan before it matures. As a matter of fact, there would be a strong argument right today and we are considering action for calling the 1942 corn loans because we are having a great deal of difficulty

in getting enough corn available in the market to take care of the requirements for feeders outside of the corn-producing areas.

The CHAIRMAN. As a matter of fact, you are planning to call a good deal of loans other than corn, aren't you? You contemplate calling other loans than corn, do you not?

Mr. HUTSON. In the case of the 1941 cotton loans we are considering calling those if we do not get supplies available in the normal manner to take care of the requirements. Farmers are liquidating those loans at a rate about as fast as we can handle them at the moment. That is going along in an orderly way. The farmer will come in and pay off the loan and sell the cotton. It is a much simpler operation than for us to take title and have to merchandise the cotton ourselves.

Mr. SPENCE. Do you ever call a loan where the farmer has an equity?

Mr. HUTSON. Yes; I think there were some cotton loans called at one time in which farmers had an equity, and a payment or an adjustment was made representing the difference in the market price and the loan value of the commodity at the time the cotton was taken over. It was a relatively small quantity of cotton. But there were some grades of cotton that would have brought more on the market than the farmers had in them and an adjustment was made in those cases. That was back some 3 or 4 years ago.

Mr. RATHELL. That was in 1939.

Mr. SPENCE. When the farmer has some equity you take care of him?

Mr. HUTSON. If the market is above the amount in the loan.

Mr. PATMAN. The farmer with loans on his 1941 cotton has an equity in that now with the good prices, hasn't he?

Mr. HUTSON. 1941?

Mr. PATMAN. Yes.

Mr. HUTSON. Yes. That is one of the difficulties that we would be in if we called the loan, having to make that adjustment. We prefer that he go ahead and pay off the loan and merchandise the cotton.

The CHAIRMAN. Let me ask you, Mr. Hutson. There is no limitation on your disposal of any commodities to which you take title except cotton, is there?

Mr. HUTSON. No quantity limitation.

The CHAIRMAN. That is what I mean.

Mr. HUTSON. There are some price limitations.

The CHAIRMAN. I am talking about quantity limitation.

Mr. HUTSON. That is the only commodity.

The CHAIRMAN. So that that discretion, of course, being placed in you gives you virtual control of market prices except as you are limited by the amount you can dispose of.

Mr. HUTSON. Well, obviously if we hold large quantities of a commodity and are free to sell it without quantity or price limitations our operations are going to have a marked effect on market prices. I would like to refer back for just a moment to this other question. There is a quantity limitation on the amount of wheat we can sell for feed.

The CHAIRMAN. Mr. Patman wanted to ask a question.

Mr. PATMAN. What is the average amount of Commodity Credit Corporation loans you have outstanding now through the banks?

Mr. HUTSON. On March 31 the Commodity Credit loans held by banks amounted to \$504,970,000.

Mr. PATMAN. Is that low or high?

Mr. HUTSON. I think most of the earlier statements would have shown a slightly larger figure than that.

Mr. PATMAN. In other words, it goes from a half-billion to a billion dollars a year?

Mr. HUTSON. Yes.

Mr. PATMAN. That is a slack period?

Mr. HUTSON. Yes; many loans have been liquidated in recent months.

Mr. PATMAN. You state you charge the farmer or whoever obtains the loan 3 percent. That money is furnished by the bank and the bank remits 1.5 percent of that to you and retains 1.5 percent; is that right?

Mr. HUTSON. That is correct.

Mr. PATMAN. Well, why do you require such a large amount for the Commodity Credit Corporation if the bank furnishes the money?

Mr. HUTSON. Well, that seems to me to represent good business. You understand when we take title to a commodity it is generally below the market price. That is, the farmer does not generally deliver any commodity if he can sell it for more in the market.

Mr. PATMAN. That is very true.

Mr. HUTSON. It is more in the nature of price insurance than anything else. It could be considered as 1.5 percent for administration and price insurance.

Mr. KUNKEL. Mr. Patman, the bank takes no risk.

Mr. PATMAN. Does the Government guarantee the loan?

Mr. HUTSON. That is right.

Mr. PATMAN. And although the bank furnishes the money it runs no risk whatever and then gets 50 percent of the interest and in the event it is necessary to service this commodity has it obligated itself to service this commodity and take it over and sell it?

Mr. HUTSON. I think there is a small fee in most cases for the service they perform.

Mr. RATHELL. There is a fee for the work in the preparation of the loan, a clerk's fee. The minimum fee is 25 cents for loans on up to six bales of cotton.

Mr. PATMAN. Well, if you pay them for the service they render maybe a cent and a half on a dollar is a pretty good rate to pay to the bank which is running no risk.

Mr. HUTSON. I would not say we pay them for all the services they render. We have some large central banks which carry the paper for as low as five-eighths of 1 percent. It is a different kind of paper from these individual farm notes. The 1.5 percent is a relatively high figure except for the fact there is some service included.

Mr. PATMAN. That is all.

Mr. CRAWFORD. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. CRAWFORD. Just going back to your statement on page 9, subparagraph 5, I would like to ask you a few questions about that particular commodity beginning with the current crop, 1943 now planted,



we will say, what is your procedure for allocating that production to the different interests engaged in the consumption, that is, the manufacturers, and by that I mean the fellow who buys the nuts and manufactures butter, for instance; the fellow who shells as an activity; the fellow who purchases the whole nut and uses that in the fabrication of some other product, for instance, like peanut brittle, we will call it; and what other part of the trade would there be?

Mr. HUTSON. Well, there would be peanut butter.

Mr. CRAWFORD. I mentioned that.

Mr. HUTSON. Your big uses for peanuts would be as edible nuts, peanut butter, candy, and oil.

Mr. CRAWFORD. Yes; that is right. Now, what method do you propose to follow this year in allocating the current crop to these various users or consumers or processors, as we may term them? The reason I raise that question is I have had some complaints to the effect that many people in this class find themselves utterly unable to obtain any of the nuts while competitors of theirs are able to obtain them. Now, one of the best places to find that is to go to a broker's office and you will see the calls that he has from established trade which he is unable to fill in any way whatsoever because the orders will not be accepted while some of the operators in the same line are getting their orders accepted. Could you give us your procedure as to how you propose to handle the coming crop and then later as to how you are handling this presently so that we will have a clear insight into those operations?

Mr. HUTSON. We hope, in connection with the 1943 crop, to be able to work out arrangements with the shellers of peanuts and with oil mills under which these trade agencies would acquire the peanuts from farmers as they have acquired them in the past. We hope that they can handle the entire crop of peanuts. Our experience with soybeans during the past year is such as to warn us that they may not be able to do that, particularly in new producing areas. They may not develop the facilities and have them there to take care of the peanuts at the time the farmers want to sell them. For such situations as these we will work out an arrangement under which cooperative associations will acquire peanuts in these new areas, thus through the trade and through the cooperatives, covering all of the areas. That is merely getting the peanuts from the farmer into the first step or channels of trade.

Mr. CRAWFORD. In other words, that brings the production in under your control?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Now, it is from there that I wanted to get a clear explanation. I might illustrate it this way. Suppose that you have just acquired control in a new area or in an established area, how does a large sheller acquire an allotment from you, that is, from the Commodity Credit Corporation? What does he have to do to get an allotment, we will say, of 10,000 tons or 50,000 tons of whatever it might be? What step does he take?

Mr. HUTSON. The plans have not been completed, Mr. Crawford, for that phase of it but I can give you a broad outline of the plan about the way I visualize it at the moment.



Mr. CRAWFORD. Now you are talking about the 1943 crop?

Mr. HUTSON. The 1943 crop.

Mr. CRAWFORD. Right.

Mr. HUTSON. We propose in total to put a normal quantity of peanuts into the edible trade and I am using the word edible in a little different sense from edible nuts in the edible trade. I mean edible peanuts for candy and for peanut butter. It may be that the demand will be for a quantity for some one or more of these uses greatly in excess of the supply that it would be wise to put into that particular use. In that case it would be necessary to resort to allocations and once you start with allocation you probably would have to go through not only with respect to the particular use such as peanut butter and candy and edible nuts but also the particular quantity that each supplier could furnish for a particular use.

The first big determination will be, how many of them will go into oil on the one hand and how many of them will go into the so-called edible trade on the other.

Mr. CRAWFORD. That is right.

Mr. HUTSON. The decision has been made to keep a normal quantity in the edible trade.

Mr. CRAWFORD. Now, having set out your general policy—that is, determining the tonnages that shall go to oil and the tonnage that shall go to the edible trade—let us go back to the sheller. Suppose of this amount that is to go to the edible trade you say to a sheller that is supplying the edible trade that he may have, we will say, 50,000 tons or we will say 5,000 tons a month. What do you plan, or what steps do you plan to take to prevent that sheller from supplying some big operator and also permitting said operator to pick out certain of his customers and supplying them and thereby prevent the established but much smaller trade from acquiring any of the nuts as exist at the present time?

Mr. HUTSON. Well, after you have decided the specific use to which your peanuts are to be put you would make the allocations on some form of historical basis. We have had a situation of that kind here in the past. There were certain quantities of peanuts to be sold, and one large operator had made the best bid. It was put out on competitive bids. On the one hand here was the highest bid, and on the other it seemed to put a large part of the business into the hands of one operator. The way that was disposed of was this: We accepted that offer after we had reviewed our supply situation to see if we could make available to those other fellows, smaller operators in the trade, peanuts at the same price. We made peanuts available to other people in the trade at the same price.

Mr. CRAWFORD. That is a recent transaction?

Mr. HUTSON. That is within the past 3 months.

Mr. CRAWFORD. At what price do you sell those nuts to the sheller, for instance? Does he pay a ceiling price or a bid price, or how does the sheller purchase from the Commodity Credit Corporation? What is your procedure on that?

Mr. HUTSON. During the past year the shellers have purchased from the cooperatives. They would confer with Department people

who would help them decide the policy before they made the sale. But the price policy has been for the most part prior to the ceilings. The ceilings on farmers' stocks of peanuts is a comparatively recent thing. In the future it is my thought with ceilings that we might have to have a fixed price and possibly if the situation became tight enough, allocations, and in that case it would be a fixed price.

Mr. CRAWFORD. On the peanuts now moving do you have a ceiling price?

Mr. HUTSON. There is a ceiling price fixed by the Office of Price Administration.

Mr. CRAWFORD. Now, when the sheller purchases from the cooperative or the Commodity Credit Corporation does that sheller pay that ceiling price?

Mr. HUTSON. It is my understanding that he does.

Mr. CRAWFORD. You are not sure about it?

Mr. HUTSON. Well, I have not followed the transactions but I would not know why he wouldn't.

Mr. CRAWFORD. The reason I inquire that way is that I want to make very sure about the answers to these questions. My next question was if he pays the ceiling price does he pay the ceiling price for the nuts regardless of quality or do you have ceiling prices on varying qualities of nuts and on nuts grown in different sections and geographical locations?

Mr. HUTSON. I am not familiar with the details of that ceiling regulation. I seem to remember that the ceiling on some of the better grades of nuts is the same as it is, for example, on the No. 2 nut.

Mr. CRAWFORD. I think that is exactly what you will find and therein I believe you will find we are doing some things that we ought not to do because I know there isn't anybody in the Commodity Credit Corporation or in the cooperatives that wants to hinder the industry or drive anybody out of business that is established because those are the very fellows who have made this industry what it is.

Now, according to the report I get from the field some of these industrial elements are being destroyed and it is due directly to the method in which it is being handled. That is the reason I brought this up so as to give you a chance to make a public statement to put in the record, of course, showing how the present crop is being disposed of and what elements if any are being injured and whether or not they are being protected. And then also state your policy, if it is in order to do so, as to how you propose to handle the forthcoming crop which is the crop now planted and growing, because these fellows are very much interested, and I think it is only fair to tell them.

Mr. HUTSON. So far as I can go today, Mr. Crawford, would be this: In connection with the present ceiling regulations on peanuts I will ask that a review be made of these regulations prior to the beginning of the next marketing season. With respect to the handling of the peanuts I want to take any steps that I can to assure as large a proportion of the peanut crop being handled through the trade as possible. That will involve some contracts between the Commodity Credit Corporation and the people in the trade handling peanuts and it will be a matter of negotiation.

Mr. CRAWFORD. Would you go further to say "through the hand of established trade"?

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. And those with the historical background?

Mr. HUTSON. Yes, sir.

Mr. KUNKEL. When you have these trade associations gather up the peanut crop do they buy it for your account?

Mr. HUTSON. During the past year the so-called quota nuts were handled for the most part by the trade making purchases without regard to any Government agency except that the certification that these were quota nuts. The purchases of the so-called excess peanuts, the peanuts that were grown primarily for oil, were made by the cooperatives on an agency arrangement. I think that stems directly from the Secretary of Agriculture.

Mr. KUNKEL. Now, one more question. How do you get control, as I understood your statement, you do get control at some stage. Just how and at what stage do you get control of quota nuts? Or perhaps I misunderstood your statement.

Mr. HUTSON. Unless they were delivered to the cooperative I do not believe that we would have control of the quota nuts except to give the farmers, as was the case in the 1942 crop, an allotment indicating the quantity that he can sell of quota nuts.

Mr. KUNKEL. If you do not get control of quota nuts how can you possibly allocate to others in the trade?

Mr. HUTSON. I see what you are talking about. Let us turn to 1943. There are no allocations in 1942 except the sale of the so-called excess peanuts for edible uses.

Mr. KUNKEL. How are you going to get control of the quota nuts in 1943?

Mr. HUTSON. Now, we will take up 1943. In connection with the 1943 crop it is proposed that the various trade agencies would handle the crop under a contractual or agency arrangement with the Commodity Credit Corporation. We have outstanding a commitment for about \$140 a ton for peanuts. For oil peanuts they will bring about \$80 a ton. If you limit the quantity that is going into the edible trade enough they would top the ceiling price. If you threw all of those peanuts into the edible trade obviously the market would drop below the \$140 a ton. In the past when you had excess peanuts go for oil they would drop to near the oil price. But we do not want that quantity of peanuts to go into the edible trades. Our need for oil is so great and these peanuts were grown for oil and after we have taken care of the normal quantity that goes into the edible trade we want the remainder of them for oil. So you would have a price system under that arrangement under which part of your peanuts for the edible trade would sell at ceiling prices and the remainder of the peanuts would sell at oil prices and the range would be from \$85 to \$170 a ton, according to prospective prices for oil mills for the coming term. One of them is about twice as high as the other. The sheller or crusher would purchase all of these peanuts at this \$140 basis. He would under the terms of the contract sell the portion that went into the edible trade at the ceiling price of around \$170 and the portion that we



allocate to him for oil at the \$85 price and balance one of the items against the other.

Mr. KUNKEL. Is that essentially what you are doing during 1943? You have quota and nonquota peanuts just about the same?

Mr. HUTSON. That is correct.

Mr. FORD. May I make an observation? This bill when it was originally presented to me was very simple. It merely was a request for sufficient funds to carry out a congressional mandate, to support prices of such commodities as the Secretary of Agriculture decided were not being produced in sufficient quantities and which he was instructed by Congress to support as to price. Now we find that two other factors are injected. One, the labor and wage rates, and the other, the ceiling prices by the Office of Price Administration. Now, it seems to me before the committee can get a valid and clear picture about this situation that somebody representing the wage angle and somebody from the Office of Price Administration ought to come in here to give us some information of what they expect to do, because I for the life of me would not know how to vote on this bill today.

Mr. CRAWFORD. I think you are right, Mr. Ford. I had another question on this peanut situation which I think will support your position. My next question is this, Mr. Hutson. In setting the price ceiling on peanuts are you familiar with the elements which the Office of Price Administration took in that formula? That is, what did they allow in that price which they say the sheller must place on the peanuts which he sells? It is the sheller that announces that or quotes the ceiling price, is it not?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Now, the Office of Price Administration says to the sheller that the ceiling price shall be "X," we will say. What cost elements does the Office of Price Administration include in that, do you know?

Mr. HUTSON. I do not.

Mr. CRAWFORD. It is probably an answer we will have to get from them. I might ask this question then, do you know whether or not they permit the sheller to include in his ceiling prices a brokerage fee?

Mr. HUTSON. I do not know. I have been advised by people from the peanut trade as well as those on the outside, but I have not made an all-inclusive survey, that the margin allowed was sufficient for the service rendered.

Mr. CRAWFORD. If the margin allowed includes this service fee and thereby giving the sheller the privilege of collecting it from the trade to which he sells, and if the sheller, as I understand, does not permit those nuts to flow through the regular channel, he is through the permission of the Office of Price Administration and the general approval gypping part of the legitimate and historically established trade out of his service fee which the Office of Price Administration permitted to be thrown into the formula when they set the ceiling price.

Mr. HUTSON. I think you are raising a very broad question there, Mr. Crawford.

Mr. CRAWFORD. Well, this is a broad question. It involves the economic life of certain elements in the trade which is being destroyed because the sheller does not carry out the formula as set by the Office



of Price Administration. I want to find out what they are going to do about it. That is what is happening.

Mr. HUTSON. I will be glad to look into that.

Mr. CRAWFORD. And give us a report on it.

(The statement is as follows:)

As reported to this office by the Office of Price Administration, the calculated spread between the ceiling prices on U. S. No. 1 farmer's stock, Spanish and Runner type peanuts, and the ceiling prices for these types of shelled peanuts is \$25 per ton, which includes cleaning, shelling, handling, and selling costs or brokers' fees. The spread for the Virginia type peanuts is \$30 per ton.

The CHAIRMAN. The committee will now take a recess to 3 p. m. this afternoon.

#### AFTER RECESS

The committee met at 3 p. m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. We will have Mr. John Brandt, the president of the National Cooperative Milk Producers Association, and we will be glad to have you discuss this bill.

#### STATEMENT OF JOHN BRANDT, PRESIDENT OF THE NATIONAL COOPERATIVE MILK PRODUCERS ASSOCIATION, AND PRESIDENT OF LAND O'LAKES CREAMERIES, INC., MINNEAPOLIS, MINN.

Mr. BRANDT. Mr. Chairman and gentlemen, in discussing the pending bill and the subsidy program which will naturally be involved, I would like to make this statement, that I believe that the public should have a full understanding of what subsidies mean.

If the public has a full understanding of what subsidies mean and they are willing to go ahead and have them imposed or paid, then they are at least going into it with their eyes open. If the general public does not understand what subsidies mean they are going to go on the assumption that it is anti-inflationary, that it is a benefit to consumers and a benefit to farmers, that it is a benefit to almost everybody.

I would like to divide my statement into three groups today:

First, I would like to take the matter of subsidies. Are subsidies intended as a help to the consumer, to increase his purchasing power?

Are subsidies to be paid as a means of thwarting inflation? If that is the case they are absolutely ineffective and in fact they are in reverse gear.

If subsidies are to be paid to increase production and as a benefit to farmers, I can say emphatically that at least as one representing a lot of farmers, both locally and nationally, and all farmers that I come in contact with in the cooperative movement, are very much opposed to a subsidy program, and on the principle that it is inflationary, that it will not increase production, and that it will be a hazard and a detriment to the income of agriculture.

I want to take first the subsidy so far as consumers are concerned, and the effect on consumers. Most of us they would have believe that subsidies will cut down the cost of living, and certainly there cannot any of us say that it would not cut down the cost of living because after all any decrease in the cost of living is still a reduction in the

cost of living; but if we were to make the statement that the cost of living will be reduced anywhere near to the extent of the percentage of subsidy on the products that it applies to, then it is a misstatement and cannot be defended.

Let me just bring this little illustration to you:

To begin with, supposing that we roll back the price of butter 5 cents a pound, and that is in the works at the present time, and supposing that we roll back the price of meat, which is definitely scheduled to take place on June 1, and some of us expected that it was to take place today: Just how much is that going to affect the average cost of living?

The average consumer by a mandate of the Government itself, and by the rationing order, can only purchase 12 pounds of butter a year. If you roll back the price of butter 5 cents, 5 times 12 is 60 and you would save that consumer 60 cents a year on his cost of living, so far as his butter is concerned.

Now, a saving of 60 cents a year in the price of butter is often spent on the way home when the same fellow that saved it on the price of butter would stop in and take one good drink and down his gullet goes the whole saving for the whole year, so from that standpoint there is not so much saving.

Let us take the savings so far as meat is concerned. There is a proposal of a 4-cent roll-back on the price of meat, and if we were supposing that that was entirely passed to the consumer, the 4-cent roll-back and this 5-cent roll-back on butter, and that is assuming that it is all passed to the consumer, the amount of meat that they are permitted to purchase today, plus the amount of butter that they are permitted to purchase, would mean a saving to the consumer in the whole year's time of \$6.13, even if all meat consumed were bought at retail.

But, after all, it is not all passed back to the consumer. Let us take, for instance, the subsidy on butter as it might affect the production of ice cream. Ice cream, especially this year, will contain a considerable amount of butter as a means of supplying the fat milk solids. If you think that the roll-back of 5 cents a pound on butter is going to help you any, in the ice cream you eat, you go and buy some ice cream and see what it is going to do, either now or in the future, and see what happened to the price of your ice cream when by order we cut down the amount of fat content in the ice cream which never changed the price of ice cream one particle, and in fact it went up in price rather than down.

Then let us take the question of meat.

Not all of us are eating at home. Many people eat in other places. I ate meat on the train last night coming down here. I had a steak and I guess possibly my eyesight was not good, something was the matter, at least when I got my bill I paid \$2.50 for the steak and when I commenced to measure that in terms of what that would mean if we had a roll-back of 4 cents a pound on the beef that was originally priced, I said to myself, "I do not believe that it is going to make any difference whatsoever in the price of this meat that I have eaten."

I could name innumerable circumstances where we are being befuddled in the belief that if we roll back the price that the farmer receives for his products, that we can roll back the cost of living to the

same extent as the roll back in the price of the product as it came from the farmer.

In other words, at the present time the consumer spends about a quarter—the wage earner spends about a quarter of his wages for food, and out of the 25 percent that he spends for food, only a trifle more than 50 percent goes to the farmer for that which he spends for food and if you were to give the farmer's product away today, just give it away, and did not give him anything for it and then you measured the results in terms of the cost of living, you would not reduce the total cost of living more than 20 percent, and therefore the impression that the public may have today, that if you were to pay subsidies, and roll back your price 10 percent, that that is going to very materially reflect itself in the cost of living so far as the consumer is concerned, is a mistaken idea.

Therefore I say that from the standpoint of the consumer the subsidies are not reflected in the same percentage to the cost of the consumer's products that he buys, and if it were true that it enhanced the purchasing power of the consumer, to the full extent of the roll-back—

Mr. BALDWIN. You say that statistics show that the average wage earner spends 25 percent of his salary now for food?

Mr. BRANDT. Just about 25.

Mr. BALDWIN. Do you have the figures as to what percent of his salary was spent for food say 4 or 5 years ago?

Mr. BRANDT. I have not but I would think that it would be more than that. I think about 33 percent, I think that that would be about right.

Mr. BALDWIN. At the present time, then, he is spending less of his earnings today for food than he did in that particular time?

Mr. BRANDT. Yes, sir; in fact, if you were to get your figures, you would find that today, and taking the period with the last war period, the earner's income and industrial wages, are about 62 percent above what they were in the peak of the last war and agricultural prices are about 15 percent below what they were in the last war period.

That is maybe not less of your money goes for the high cost of living but from the standpoint of food this is not a question any more of the high cost of living; it is a cost of living high, and as I made the statement this morning to this effect, if you were to go today and go downtown on a Saturday night or a Monday night when most of these stores are open, you go to the counters where they are selling the frills and fancy things and see how long it takes you to get there; to buy anything, you have to stand and wait and wait.

You go to a moving-picture show, or a theater and see how long you have to stand in line on a busy night even to get in.

You go to a night club and see how they are being patronized today. There is where the money is being spent and it is not being spent in the cost of living.

We are making the public believe today that the inflationary trend of things in America is due to the fact that farmers are getting an exorbitant part of the national income, which is not a truthful statement.

Mr. BALDWIN. How about the race track?



Mr. BRANDT. The race track is still worse, so after all, when we make the public believe that they are being robbed by the farmers, then they spend their money for something else and think the farmer robbed them, which is not a truthful statement under any circumstances.

Well, now, if we were going to consider this purely from the standpoint of an anti-inflationary measure and from the standpoint of the consumer, we are worried today in America because the consumer has got too much money to buy things with, and then we turn around and say we are going to drop the price still further, so that you as a consumer can buy more, when we already want to be able to buy less.

It does not make sense.

Then surely we are going to come to a realization before long and that is that the cycle is going to both ends of that circle, they are going to come together, and we are going to discover that by the time this 20 percent deduction from the pay roll is going to take effect, and then some people are going to wake up. We can't give it to you on one hand without having to pay it back on the other and that is the circle that we are coming into.

If we could today and if we had the assets in America today, to simply turn around and say, here is some money that came from nowhere, and we are going to use that to pay subsidies with, it may not be so inflationary, but what we are doing today, we are borrowing the money to pay these subsidies, and there is not a man in this room but what can visualize this position, if you were to go out today and with your earning power higher than it ever has been in the history of America, and then you turn around and say that "I want to protect my future by not paying my grocery bill today," and that is all that you are doing, "not pay my grocery bill, I want to leave it until I have not got a job," you are going to be an object of charity.

It does not make sense to carry out a program of that kind.

From the standpoint of the consumer it is definitely inflationary, because there are more people working in every family than ever before, and there is more money coming into the home than ever in the history of America, and when you start subsidizing an already inflationary income, then you are only aggravating the situation that you are trying to correct.

The CHAIRMAN. May I ask you a question right there?

Just as I was called to the phone on a matter that I could not defer, I missed a moment or two of your discussion. Just as I left you were talking about the effect on prices, or the cost of living that would be accomplished by 10 or 20 percent, by a total reduction of 10 or 20 percent on farm commodities.

Mr. BRANDT. That is right.

The CHAIRMAN. What effect would it have on inflation in connection with the war program, and as we contemplate it will probably run before the end of this war, assuming that the war lasts a couple of years?

Of course, nobody knows, we hope to see the end of it sooner. I assume that no one whose opinion would be valued would say that we had much reasonable hope of seeing this year end inside of 2 or 3 years. We are providing up to now, I do not know how much, it is



going up so fast that I cannot give you the figures, but the papers stated, they have already suggested that we are to provide 100 billions next year, so that we are up to something like \$250,000,000,000 already before us as a part of that program and that possibly if not probably doubled before the end of this war.

In view of all of that program what effect would it have on the matter of ultimate inflation by the end of this war if the farmers of the country were to give away their total crop production during the time?

Mr. BRANDT. If you did that, in 1 year's time, if you were to give it away, it would reduce living costs about 20 percent, and in doing so you would be giving away about 18 billion to 20 billion dollars' worth of farm products, and if it ran 2 years that is 40 billion and 3 years it is 60 billion: that is about the figure in general terms.

The CHAIRMAN. Would it have a determining effect on inflation in the United States?

Mr. BRANDT. Oh, certainly it would be a determining factor.

The CHAIRMAN. What I mean is, would that be a sufficient control to prevent inflation, in view of the other things?

Mr. BRANDT. It would not be sufficient control to prevent it. It would be one that would cause it. It would not be any preventive. It would be the worst effect in the world, when you simply turn around and say you are going to increase the consumers' purchasing power by 20 percent, and then subsidize it out of taxes, you have a double effect, and that to me would be the wildest inflation in the world. It could not help but be.

The CHAIRMAN. Well, in any event, a slight difference in the price of farm commodities upon a parity basis, and the difference between that and the roll-back price, would certainly have an infinitesimally insignificant effect upon inflation?

Mr. BRANDT. Well—

The CHAIRMAN. So far as preventing inflation?

Mr. BRANDT. If you are bringing that in from the standpoint of which would be inflationary, and advance in farm prices or a reduction in subsidy, the advance in farm prices is less inflationary than a reduction in farm prices at the present time, because the only way to stop inflation is to produce a lot, so you can buy a lot for little money, and if you are going to discourage it by making it impossible for the people to produce, you can see what the situation is going to be; then is when you get inflation. That is always the case.

The CHAIRMAN. You may proceed with your statement.

Mr. BALDWIN. Do you think that the fact that the consumers now have so much more money than they have had before, and their inclination and desire to buy goods, has any bearing on our black market situation?

Mr. BRANDT. Of course, there is not any question about it, if you have a lot of money and you want goods, a black market is certainly going to thrive much more under circumstances of that kind.

Please do not get me wrong. I am not questioning at all the consumer having plenty of money to buy with. All I am questioning is that the man that is going to sell it is going to have a comparable

income in order that we do not have inflation, because that is when you get inflation. You cannot fight this war, and you cannot win the war, and you cannot finance the program that we have got today, unless you have some advance all the way around; but you cannot push one down and advance the other without bringing on inflation and scarcity. It just cannot be done, and that is the thing that we have got to war against.

Take butter. Butter today is 46½ cents a pound in Chicago, and I do not believe that any of you men realize the fact that butter at 46½ cents a pound at Chicago is only 1½ cents higher than it was on the average of the period of 1921 to 1929, which was not a war period, and it is the low one of all of the farm groups today so far as its relative value, food value, and its productive cost is concerned; and yet we are taking butter that is already 20 percent below where it ought to be to be a comparable basis with other farm products, with hogs and other meat animals, and we are saying that we are going to roll that back another 5 cents.

Mr. CRAWFORD. Mr. Brandt, could I ask you a question there?

In addition to your connection with Land O'Lakes and the other organizations, old-established organizations in the industry, are you connected in any way with lend-lease and the purchasing of butter?

Mr. BRANDT. No; I am connected in no way with the purchase of lend-lease products. I am a director and officer of the Dairy Products Marketing Association which acts as agent for Commodity Credit Corporation in the purchase of "set-aside" butter and cheese.

Mr. CRAWFORD. I want to ask you this question:

In your contacts here in Washington, which I think are pretty broad, have you been able to make up your own mind or to determine in your own mind exactly to whose benefit this roll-back is to go?

In other words, is that movement or that policy being established in behalf of the employee and citizen who may not be employed but may be living on an insurance estate—for instance, on a pension—and who has not in any way participated in the increased income due to the flow of war dollars, or is the roll-back being made for the benefit of the payrollee who has participated in the flow of war dollars or in whose benefit is the roll-back to flow, or to whom is the roll-back to flow?

Have you reached any conclusion in your mind about that?

Mr. BRANDT. I have reached a conclusion, in my own mind. I am not going to interpret somebody else's reasons, understand, but in my own mind, just putting two and two together and watching all of the maneuvering that has gone on, I do not think that this fellow that is living on the pension or living on the income of past efforts and the like of that, is thought of at all in here, because I do not think that he is making himself vocally heard politically at all.

I do think that if you come right down to it, and in my thinking I may be wrong, but if you come right down to it, I think some of this agitation for increase in pay that is coming from some of your labor groups and the like of that, and the "hold-the-line" order there, which is not being held, but the order is responsible for the fact that we are going to make these people believe now that if we roll this price back, then you ought to be satisfied that you should not have any more

money. That is only my judgment, and I do not know whether there is anything back of it, but it is just a layman's way of thinking of it.

Mr. CRAWFORD. Now, forgetting that approach and going directly to the heart of the thing, if there is now in operation an excess amount of buying power, as related to the present supply, and the future lesser supply of consumer goods and services, durable and nondurable, is it sensible and logical and good economic procedure to hold the prices down and absorb less of that buying power with the scarcity of goods or would it be less inflationary to proceed to let some of those prices advance so as to absorb some of the excess buying power as related to the scarcity of goods and the lesser volume of goods that we are to have?

Mr. BRANDT. I think it is much less inflationary to let prices advance and pay it out of our current earnings and pay your grocery bill as you go along, than it is to buy war bonds to pay your grocery bill with. That does not make sense.

Mr. CRAWFORD. Now, you are thinking about it exactly the way I have been.

I have been trying to find some fellow who can give me a logical reason and an economic reason for the roll-back. Now, I can understand why I, Fred Crawford, might go out and tell a fellow that I rolled back his prices and the cost of his living from a political viewpoint; I can understand why I might do that, and I am not admitting for the record that I would do it because I have been advocating the contrary position, and that is let the prices go up and put more taxes on them.

I shout that everywhere I go, to tax him more, certainly that is unpopular politically speaking, but I can understand why some people might enjoy going out and standing before an audience and saying that they supported a policy of holding back prices.

Now, that is the only reason or the only reason that I have found for this roll-back approach, and if I am wrong in it I wish somebody would show me where I am wrong.

Now, I am speaking about the people who have participated in the increased flow of dollars due to the war effort, and I am not talking about the fellow who is living on a fixed salary, that is, whose salary has not increased, and I am not talking about the family who lives on an insurance check, and I am not talking about those who have income from a pension of some kind, which is paid by the Government, because I can understand how those people are being economically crucified, and I can understand why somebody can, other than through political approaches, want to relieve their situation, but I do not understand why we should be so concerned about rolling back the prices on the goods which are purchased at the retail stores by the pay rollees whose pay has been increased incident to the flow of the war billions.

Now, can you set me straight on it, if I am wrong?

Mr. BRANDT. Well, of course, I cannot understand that either, and, furthermore, if I work, big-hearted to the extent that I would say, we have got to keep in mind these people that are living on the pension and on a set income, and the like of that, then I would at least want to tell them the truth, I would not want to tell them that the roll-back is just going to put them in heaven, because it will not do it.



If you roll back the price of butter, of meat, and the price of coffee, and you roll them back 10 percent, do you think that you are going to affect the cost of living 10 percent?

Not by any means, because, after all, his cost of living is affected by his light, heat, rent, transportation, and a hundred and one things that have nothing whatever to do with it.

Do you think that rolling back the price of cotton is going to affect the price of your shirt when you roll back 10 cents worth of cotton in a shirt that costs a couple of dollars?

Do you think the roll-back of price of wool is going to affect the cost of the suit of clothes that has got 4 pounds of wool in it, or not over 5 pounds, whether it was 30 cents or 40 cents? Do you think it is going to affect it?

If you are going to make those statements that you are going to do something for him, you should tell the truth because someone is going to wake up and find that all of this ballyhoo about the rolling back of the cost of living that is going to cost a lot of money to administer it, is right up where it was and there is no appreciable difference, and then how are you going to explain?

At least, I would not want to be in that position, if I were going to be philanthropic and want to do something I would tell them the truth about it.

You take for instance the statements that are going over the country today, what a wonderful thing that it was for this country that the Bankhead bill finally was thrown out, what a wonderful thing.

I sat in at a meeting of businessmen in Minneapolis, 900 of them present, a few weeks ago, and there was a man got up and spoke before that meeting and he talked upon how near we come to the dangerous point of being wrecked in this country because the Bankhead bill pretty near passed.

He said if it would have passed it would have increased the cost of living 10 to 12 percent and there were businessmen sitting at the table with me, and they turned white with fear and trembling, for fear that the cost of living would be raised 10 and 12 percent and these poor people, those stated income people, what would it have done to them, and I said to the fellows, "Fellows, stop and think, what this means."

After all, the Bankhead bill only said this, that that part that is paid in the way of benefit payment to farmers shall not be included in the computation of parity. When you took the items on which it was applicable, it was not applicable to nearly all of the farm products nor was it applicable to the extent of 10 percent to those products that it was applied to. Dairying it did not apply on at all and yet businessmen, supposed to be studying these problems, would take for granted what somebody said, that would have increased the cost of living 10 percent, and really believed it.

Then I said to myself, "My God, what are we going to expect from the general public when a man can get up before a crowd and make a statement of that kind and have it sink in?"



Why, folks all you have to do is sit down and put two and two together, and you know and I know that the Bankhead bill, if it had passed, would not have increased the cost of living 1 percent, and you can try to disprove that any way you want to do it and you cannot do it.

The CHAIRMAN. It so happens that the bill that was vetoed was not the Bankhead bill but the bill that was reported by this committee which I introduced and which I sponsored, and it differed from the Bankhead bill in that the Bankhead bill would have amended the permanent Agricultural Act, and would have become permanent law as an amendment to that act.

The bill that the House passed and which the Senate accepted and was reported by this committee, was simply an amendment to the emergency price-control bill, and therefore a temporary measure, and it related only to corn and to wheat and only a small part of wheat, and in the meantime, following the veto of the act, a ceiling on corn was lifted 5 percent.

Mr. BRANDT. That is right.

Mr. CRAWFORD. As related to the dairy industry specifically, have you had any recent figures, say since the 1st of the year, covering the number of milk cows which are going on to the livestock market that you could give us?

Mr. BRANDT. I doubt if that can be given accurately. Your livestock market, your principal markets, show an increase of dairy cows coming in but that may not tell the whole story, and neither do auction sales tell the whole story, because after all the auction sale is purported to have moved the livestock from one farm to another. The ones that move to the market were originally intended to be your cast-offs and in this particular there is a question whether we are going to have feed enough to properly feed the livestock that is on our farms. I do not believe that you are going to produce enough feed this year, plus all of the carry-over, to carry the livestock that we have today through to its maturity into marketable condition. One thing that we are being fooled on most in production is this one: When a fellow goes out to buy in an auction sale there is a force representing some governmental agencies that are out there buying livestock.

They are buying them to put on to another farm.

The first bid out of the crowd will take a hundred or more and just buy them. That is all there is to it. That is fine. Where are they going? They are going to a farm. They are taken from a farm of a fellow that was a good dairy man and his help has been scarce, and his costs are high for operating, and here is a big price for his cows, and he sells them.

Well, the same cow goes to another farm, but the same cow going to another farm may not produce anywhere near the milk that it produced on the farm of the man that knew how to handle her. The cow produces enough that they eat at home and there does not any of it go on the market.

Then there is another thing, I was asked to sit in on a conference a little while ago where they were planning on buying a couple of million cows and putting them in lots of 500 to 1,000, to have them ready to ship across the water after the war was over.

Here was a great idea and all of that, and they asked me to help work out the plan and I said, "I think too much of the dairy cow to put her in a concentration camp, and I wouldn't do it, because first, you can not take cows from 25 herds anywhere and put them together in one bunch without running into an outbreak of mastitis or Bang's disease and the like of that, that not only ruins that herd but ruins the herds wherever they go."

Those are cautions that you have to take.

This dairy business is not anything that you can just say, tomorrow, put anybody into the dairy business. It is a scientific job, and if you do not do it scientifically, then it cannot be done.

Neither can you milk cows and handle cows with any kind of help. You cannot bring women from town out to tend your cows, and you cannot bring them out from the city to go out and milk your cows, because cows are a part of the farm, you have to know the cow, you have to know her temperament, and you have to love that cow and do something more than just sit down and pull the milk out.

Some people have watched the milking process going on and they asked where the milk comes from.

This little story, you have possibly heard, of where milk comes from, and somebody asked if cows really give milk, they have asked me that question, and I said, "No, you have to squeeze it out of them. They don't give it to you. You have to squeeze it out of them."

And that is one thing that you have to know. You have to know how to handle a cow. You are presenting a program of discouragement to agriculture today with all of this hullabaloo about roll-back prices that is (in the interim nobody knows how it is to be applied) going to cost the farmers millions of dollars before they can ever apply the subsidy if they do put it into effect, and it is already having its effect on production.

Take your cheese subsidy that is on now. It has all of its ramifications, and misunderstandings in its application. Cheese people tell you today cheese production in the State of Wisconsin is down close to 20 percent at the present time. Your production of dairy products in New York State is down 40 pounds per cow. Our production now in our State, total milk production, is above last year, but it is already starting down.

It takes men to milk cows, and it takes manpower, and you have got to make it just as profitable to milk a cow as it is to work in a factory or nobody is going to be tied to a cow's tail.

Mr. CRAWFORD. On that point, what was the December schedule for pounds of milk to be produced this year?

Mr. BRANDT. If I remember rightly, it was 122,000,000,000 pounds.

Mr. CRAWFORD. Now, do you know what happened the first quarter? Have you any figures on that?

Mr. BRANDT. I cannot give them to you exactly. I will say that we about topped last year, by 1 percent, but we are starting the other way now.

Mr. CRAWFORD. What was your 122 as related to last year?

Mr. BRANDT. The 122 was about 3 billion above last year.

Mr. CRAWFORD. That is the figure that I have, 120,000,000,000 last year and they expected 122 this year.

Mr. BRANDT. You will do well to produce 110,000,000,000 this year as a total. You will do well to do it through the year.

Remember this much. The production of this winter was last year's crop, with lower cost to produce milk than will prevail this winter. The past winter was so stormy out our way that you could not do anything else, so you milked cows and fed your pigs, but starting from now on you can watch the trend going the other way.

Mr. CRAWFORD. Awhile ago when you referred to auction sales, were your remarks directed specifically to auction sales on the farm?

Mr. BRANDT. That is right.

Mr. CRAWFORD. Now, can you give us anything with reference to the number of dairy cows that are being sold at the livestock auctions out in the communities?

Do I make myself clear, as to what I mean by livestock auction?

Mr. BRANDT. I know what you mean, you mean those auctions where they bring them in on public sales.

Mr. CRAWFORD. Yes; where they sell one afternoon or evening a week.

Mr. BRANDT. I could not give you any figures on that. I am not familiar with that at all. I know that they are still holding them, but what effect they are having I could not tell you. I do not believe that those are as effective, they do not take as many as your local auction sales or your drift on to the buyer's market.

Mr. CRAWFORD. I might give you one little figure, which is just illustrative in one community, that is all the weight I give to it.

At Breckenridge, Mich., in my district, a very small town, where they have a very successful livestock auction that has been running for years, up until a week ago tonight the highest number of milk cows ever sold on that auction in one sale was 14, and the dairymen there telephoned me last week, that last Tuesday afternoon and evening 100 went through the weighing pen. It jumped from 14 to 100.

Now, I am wondering if that is going on all over the Central West?

Mr. BRANDT. The only thing I can say to that, is this:

Last August and September, and for last year, cows started to move to the market and the price of dairy cattle was on its way down.

Then that continued until along in the latter part of October and November, and we got some intimation that some boys might be kept on the farm if we had certain units of production on that farm. Immediately you saw a trend in the up price of dairy cattle, and a smaller movement to market.

Then we had this movement to buy cattle for subsistence farming and the like of that, and that created an advance in price, and a rather rapid movement of cows.

Now, that cycle went on and now as we see within these last few weeks' time when there is uncertainty as to what is to take place, and the farm help is getting scarce, and even farm boys are going off from the farms (I have two farm boys, one of them was raised on my farm and another one that has worked there for some time, became 18 years old and both of them go into the Army) in many cases, along with the discouragement of rolling back of these prices, and the move is starting the other way again for the greater disposal of cows.



Mr. BALDWIN. Mr. Brandt, what percent has the dairy feed increased in the last 3 years, do you know?

Mr. BRANDT. I would not be able to give you that figure exactly but I will give you a little picture of what has happened in dairy feed.

Mr. BALDWIN. Just before you do that, is there a ceiling price on mixed dairy feeds at the present time?

Mr. BRANDT. Well, there is a fixed price on the grains that go into them.

Mr. BALDWIN. I am talking about the finished product that the dairy-men buy.

Mr. BRANDT. I think that there is a—rather recognized by the feed dealers—a recognized price that they are staying within, yes, but remember this:

There is a fixed price on soybean meal, there is a fixed price on oil meal; there is a fixed price on bran, there is a fixed price on the ingredients that go into the mixture.

Mr. BALDWIN. Has not that been fixed at about a very small increase over the level of a few years ago?

Mr. BRANDT. The price of soybean meal and oil meal has been fixed at a relatively low increase over the previous year, and this is what has happened:

You put the price of oil meal and soybean meal so near to other protein feeds, as bran and “mids” and the like of that, that we shifted the consumption of those high protein feeds into channels that they should not have gone into, and now we are going to be short of those protein feeds for the production of dairy and poultry products that they are needed for.

Mr. BALDWIN. Has not the mixed feed, the finished product, gone up at least 25 to 40 percent over 3 years ago?

Mr. BRANDT. Not any more so than the raw ingredients. You take your corn and oats and barley, all of those that enter into mixed feeds, they have all gone up to that extent, and for instance, a year ago this fall, a year ago last September and October you could have bought oil meal at wholesale and soybean meal in wholesale lots at around \$30 a ton, and they are about \$39 a ton now. In the past 3 years feed fed for milk production has risen 52 percent.

Mr. BALDWIN. I am speaking now of the completely mixed balanced dairy ration that a lot of farmers in our section buy, that is already mixed, and it is called, it is a brand name, probably you run across. Those feeds have advanced tremendously in our section, and the point I wanted to ask you is this:

In the sale of cows that you speak of, could it be attributed to the fact that dairymen will not now at the present high cost of feed and the scarcity of labor tend to feed a cow that is milked out or is not an efficient producer?

Mr. BRANDT. Definitely so.

Mr. BALDWIN. Another thing, in your judgment, with the feed situation as it is and the labor situation as it is, is it profitable from an economic or production standpoint to take the counterfeits, as we call them, and keep them on the farm or let them go as they normally go into slaughter?

Mr. BRANDT. Well, of course you should not ever keep counterfeits.



Mr. BALDWIN. Well, is it not a fact——

Mr. BRANDT. If you still have that normal flow, you still maintain a reasonably good group of cows.

Mr. BALDWIN. Do you have any information as to the Government agency, the F. S. A., who is buying? Is not that the kind of cattle that they buy mostly?

Mr. BRANDT. I had a man come into the office the other day from up around Crookston, Minn., and he said that there was a man in the barn milking his cows there one evening, and a representative of the Government agency buying cows came in and said, "What will you take for your cows here?"

And the fellow said, "I don't want to sell them."

And he said, "Put a price on them."

And he put a price on the herd of \$125, and they took them, they took everything.

They do tell me, and I am not authority for this, that they are buying almost anything that looks like a cow and taking it out and putting it out on that basis, but I am not an authority for that and I do not know whether they are or not.

Mr. BALDWIN. Do you know whether or not they sell those cows at a discount to the farmer, because they are not in a great many cases efficient producers?

Mr. BRANDT. They are just as apt to sell the good producers as the other one at a discount; if there is a discount that does happen but I would not be an authority on that. I will say in answer to your other question, that today you can feed corn to your hogs and realize a lot more than you can for butterfat.

Now see what that has done. You have increased your hog production possibly 30 percent over where it was a year ago and your dairy production is going down, simply because to feed corn to cows or feed cows you have to have 60-cent butter today to come out even and be on a comparable basis with beef and hogs.

What has happened?

You cannot do it.

Go into your East today. Fred Sexauer, the New York Dairy-men's League, asked me if he could buy any corn out our way. I said, "Not if we can help it, for if we can get the pigs to feed it to, we can feed it to pigs and we can get more out of it than we can selling it to you."

Mr. CRAWFORD. Is it not about \$1.10 as against \$1.40?

Mr. BRANDT. That is about right.

Mr. BALDWIN. Do you think, as you are interested in the dairy phase of this——

Mr. BRANDT. In my herd, I feed a hundred head of steers each year, and I raise 6,000 turkeys, and I have 40 head of milk cows, and it is a diversified operation so I am in all of it. I know something about all of it.

Mr. BALDWIN. Do you think from a standpoint of the sound financial policy, and to prevent inflation, that the Commodity Credit Corporation Act should be amended to prevent the payment of subsidies?

Mr. BRANDT. I think if you are going to pay subsidies, you ought to know as a Congress that you are paying them, and I do not think

that you should give somebody a check book and say, "Here, do what you want with it." I think Congressmen ought to know—this is a time when I think Congressmen and Senators should know—where our money is going.

You go out in our area today, on your regional agricultural program out there and these are the facts: You can go out there and men are given check books to go out and make these loans to farmers and just write a check.

We feel that that is a dangerous business; that is inflationary, if anything ever was.

Mr. SPENCE. What has been the experience with England and Canada in regard to subsidies?

Of course I know that they are both importing countries and it might not be entirely analogous to our condition, but what has been their experience?

Mr. BRANDT. I am not an authority on their experience. If I were to take England, however, where agriculture is only a part of your national program, just a small part of the business program of England, to subsidize does not have the effect that it does when you start to subsidize an industry. Here you are not subsidizing agriculture, you are rolling the price back, you are subsidizing the consumer, you are rolling it back, instead of increasing it to be an incentive to production, you are rolling it back, and then bringing it back up to him again, and that does not sound like a subsidy to agriculture; it is a subsidy to the consumer.

Mr. SPENCE. Now, Canada has resorted to that same thing, has it not?

Mr. BRANDT. I presume that they have, but I am not an authority as to its effects up there. I do not believe it is any sounder than it is here. I do not believe that there is anything sound about it. I think that you are going to have to have general higher price levels, when you are running into the billions of expenditures we are today. You cannot pay it over unless you have price levels.

How do you ever expect with a national income of say 100 billions, which might be normal, to ever pay off a 300-billion-dollar war debt and have anything for your own business?

You have got to increase the whole thing; you have got to have higher levels, but you are inflationary when you start to roll one back and increase the other, so you increase the purchasing power of something that you make scarce.

Mr. SPENCE. What do you think it would cost the Government to roll back the price of butter?

Mr. BRANDT. On the price of butter, 5 cents a pound on 1,800,000,000 pounds, you can figure that out yourself.

Mr. BALDWIN. In England the government buys all of the food, is not that right?

Mr. BRANDT. They tell me the figures would be \$90,000,000 for a 5-cent subsidy on butter here but I do not know what they are doing in England.

Mr. BALDWIN. The Food Production in England is such a small part of their own consumption that they not only have to buy all of it in this country but we in this country are self-sustaining from a food standpoint but we are also supplying food for our allies which makes it an

entirely different category than England or Canada, would be, being a smaller population and a smaller capacity to produce food.

Mr. BRANDT. There is a lot of difference between this country and those countries, because our major industry in this country is your agricultural industry; it is the industry that has made America, and in normal times you can multiply your agricultural income by eight and you have got your national turn-over in business and when you wreck agriculture, you wreck everything else with it.

Mr. SPENCE. Who gets the subsidy?

Mr. BRANDT. The consumer.

Mr. SPENCE. Do they get all of it?

Mr. BRANDT. I do not think that they get all of it. I think that there is a lot of that lost in administration and some of it is lost in distribution and the like of that.

For instance, if you roll back the butter 5 cents, do you expect that you are going to get any reduction in the dish of ice cream that you buy down here and there is a lot of butter used in it?

Do you expect if they roll back the price of meat 4 cents that when you eat in the restaurant, you are going to get any benefit of it? I do not think that you are. I think that we are just kidding ourselves.

Mr. CRAWFORD. There is one other factor that I think should be brought into that situation, of the Canadian and British concept. Both Canada and Britain finance through taxation a far greater percentage of their war costs than we do, far greater, and we are away behind.

Saying it another way, in this country we have been relying primarily on commercial banks to absorb the war issues of the Federal Treasury, so a subsidy in England or in Canada would be far less inflationary, due to the method of their financing of the war cost, than in the United States due to the method that we use in financing the war costs.

So until we get out of this commercial bank financing and into the taxpayer's pocketbook, to a far greater extent than at present, everything that we do which is financed through the Treasury must necessarily and absolutely promote the inflationary forces in this country.

Mr. BRANDT. It is bound to do it. You just cannot escape it.

The CHAIRMAN. The situation is such, for which we are very sorry, that the members must go to the House, and it is not likely that we could resume this discussion this afternoon.

I am going to suggest that you may revise and extend your remarks and the stenographer will incorporate it in the hearings fully.

We will recess until 10:30 in the morning.

(Whereupon at 4:30 p. m., adjournment until 10:30 a. m., tomorrow, Wednesday, May 26, 1943.)

## CONTINUANCE OF COMMODITY CREDIT CORPORATION

WEDNESDAY, MAY 26, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. Let the committee come to order.

### FURTHER STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION

Mr. CRAWFORD. Mr. Hutson, may I ask you one or two other questions on this food program. Do you have anything to do with the D. F. A.?

Mr. HUTSON. You mean the Food Distribution Administration?

Mr. CRAWFORD. Yes; the Food Distribution Administration.

Mr. HUTSON. I am a part of the War Food Administration. That work is handled by the people there. I do not directly do that.

Mr. CRAWFORD. Who buys their supplies for them?

Mr. HUTSON. Their supplies are purchased through various commodity divisions in the Food Distribution Administration.

Mr. CRAWFORD. I did not know but what the Commodity Credit Corporation had to purchase that also. For instance, suppose you had to send, or suppose we had to send 5,000 tons of foodstuffs to Puerto Rico to be distributed by the F. D. A., is it?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Who would purchase that food for them? Suppose it is 10 carloads of beans or a carload of potatoes or a carload of poultry; who would make that purchase?

Mr. HUTSON. That purchase would be made by people in the commodity divisions handling those particular commodities. These commodity divisions are in the Food Distribution Administration.

Mr. CRAWFORD. So the purchases would not be made by the Commodity Credit Corporation?

Mr. HUTSON. Well, if it was known at the time the purchase was made that it was made for the use in Puerto Rico the purchases would be made by a Corporation in the Food Distribution Administration. If the purchase was to be made as part of a general purchase program to be later assigned to lend-lease or for relief or for school lunches it would be purchased by the Food Distribution Administration and charged to the account of Commodity Credit Corporation. It would be an agency arrangement for that type of purchase.



Mr. CRAWFORD. All right. That comes to what I am driving at. Suppose the instance you just cited developed and there were say 5 carloads of potatoes involved. Do they go out and purchase potatoes against your potato operations?

Mr. HUTSON. They could.

Mr. CRAWFORD. But do they?

Mr. HUTSON. I do not know of any purchases of potatoes except there has been some seed financed with Commodity Credit Corporation funds. We had a situation in which it appeared we might not have enough seed and they did make some purchases of seed with Commodity Credit Corporation funds recently.

Mr. CRAWFORD. Who is in the field that operates against your purchases? As you have outlined to us here, you go into the field and purchase, we will say, for lend-lease export. Who is it that operates against you in the field among the Government agencies?

Mr. HUTSON. That would be the Food Distribution Administration which would be operating as an agent of the Commodity Credit Corporation.

Mr. CRAWFORD. So it is under the Commodity Credit Corporation and under your direction then?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Then I would not call that competing with you.

Mr. HUTSON. No; there is no competition.

Mr. CRAWFORD. I thought that was an independent Government corporation?

Mr. HUTSON. It is to prevent that sort of thing that we have established this agency arrangement.

Mr. CRAWFORD. Now, with that agency set-up can you determine from your records what goods have been purchased by this agency of yours for distribution by the Defense Food Agency to distribute in Puerto Rico?

Mr. HUTSON. Yes, sir; I think I can.

Mr. CRAWFORD. You think you can?

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. Would you mind checking that to determine whether or not a shipment of some 5,000 or more turkeys were purchased and sent to Puerto Rico prior to Christmas and whether or not those turkeys are still in storage and have not been distributed?

Mr. HUTSON. I will be glad to submit a statement on that.

Mr. CRAWFORD. And whether or not they are now considering sending them over to the Virgin Islands, where turkeys, as I understand, have never been sold on the market but to dispose of them and get them out of Puerto Rico so as to eliminate the thought that turkeys might be furnished in Puerto Rico to those who have money and not furnished to those who do not have money?

(The statement is as follows:)

#### PURCHASE AND SALE OF TURKEYS IN NOVEMBER AND DECEMBER 1942

The only purchase of turkeys made during the fall and winter months of 1942 was a purchase of 28,000 pounds, bought under competitive bidding from Armour & Co., Louisville, Ky., on November 27, 1942. The quantities and prices paid, by types delivered f. o. b. Pensacola, Fla., were as follows:

	<i>Per pound</i>
6,000 pounds hens.....	\$0. 40½
12 000 pounds toms.....	. 39
10,000 pounds toms.....	. 38

Of the above quantities 26,471 pounds were shipped from Pensacola on November 30 and arrived in Puerto Rico on December 11. The remaining 1,677 pounds were shipped from Pensacola on December 3 and arrived in Puerto Rico on December 18.

Most of the turkeys were sold immediately in San Juan. However, a small quantity was held in storage for possible later needs of hospitals and similar requirements.

This reserve supply of 1,383 pounds was later shipped to and sold in the Virgin Islands. The prices received were \$0.02½ per pound above the purchase price for the 22,000 pounds of toms and \$0.03 above the purchase price for the 6,000 pounds of hens. The entire shipment has been sold without loss.

Mr. CRAWFORD. In other words, they have such a large group on relief down there that it has created that situation. Do you know anything about it?

Mr. HUTSON. I have never heard of it.

Mr. CRAWFORD. You probably haven't heard of it.

Mr. HUTSON. I have never even heard the rumor, if there is such a rumor.

Mr. CRAWFORD. It comes up in connection with testimony before another committee but I wanted to establish really whether or not the Commodity Credit Corporation does control the purchase of food supplies for that particular agency. Have you heard anything about the spoilage of rice and beans that have been sent into Puerto Rico by this particular agency?

Mr. HUTSON. I have not.

Mr. CRAWFORD. You may be interested in reading the testimony which has been taken by the Senate committee and which is now in the stenographer's report form and which is available if you want to look into that, which ties into this general picture.

I want to get one or two other bits of information in connection with the peanut program we were discussing yesterday, I believe. Is there such an operation as would permit a large operator in the peanut field to obtain from the Commodity Credit Corporation stocks of peanuts for account of a sheller so that that operator could then take the stocks from the sheller and tend to control distribution of the nuts? Do I make myself clear. Let me illustrate it this way. Suppose the Atlantic & Pacific Tea Co. or any other big operator who handles an enormous tonnage of peanuts talking with the Commodity Credit Corporation induces the Commodity Credit Corporation to take the unshelled nuts and let them go to a sheller with this large operator having arranged with the sheller in advance to take all of the shelled nuts and make the distribution thereby crowding out of an opportunity to obtain nuts a much smaller operator? Can such a thing happen under your present method of handling peanuts?

Mr. HUTSON. There is nothing in the program that would result in action of that kind that could not be taken if the program were not in operation. I could not say that we follow each particular transaction or sale of the commodity to the ultimate consumer. Obviously, we cannot, but in approving any sales that are made by the cooperatives we examine them to see if there is likely to be an undue concentration of the product at any one point.

Mr. CRAWFORD. Now, have your investigations established any undue concentration at any time?

Mr. HUTSON. I do not know of any. I do not pass on all those things.

Mr. CRAWFORD. There was a temporary price ceiling set, wasn't there.

Mr. HUTSON. Yes.

Mr. CRAWFORD. And then there was a so-called definite or permanent price ceiling set?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. You take the large operator with plenty of capital and sagaciousness in a development of that kind—he is in a position to acquire unlimited stocks and crowd out the small operator, is he not, if he acts promptly?

Mr. HUTSON. Well, the only case of that kind that has come to my attention was the one I referred to yesterday in which the highest bidder on a particular lot of peanuts was one of the large users of peanuts. That particular transaction was checked with me. I asked if they would ascertain if the supplies of peanuts were such as to take care of the demands of the remainder of the trade on the same basis as the demand of this particular operator was being taken care of. I was advised that was true. I suggested that they accept the offer, which was the highest offer that was made, and then make peanuts available at that same price to the smaller operators.

Mr. CRAWFORD. You can determine from your records whether or not the very large operators during the interim that I have referred to bought excessive inventories and whether or not the small operators purchased during that interval or subsequently to that interim, or attempted to purchase subsequent to the interim?

Mr. HUTSON. Yes; the record would show that.

Mr. CRAWFORD. Yes; that is what I mean.

Mr. HUTSON. I do not have those records before me now. Those records would be kept in the office of the cooperative associations and I do not know that I could have all of the information analyzing all sales within the next day or two. I can have it within a few days.

Mr. CRAWFORD. The records in the associations will also show the price paid by the associations to the farmers?

Mr. HUTSON. That is right.

Mr. CRAWFORD. And they show in detail the price at which these cooperative stocks were disposed of?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. And the gross and net operating profits on the transactions?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Now, what are you going to do with the profits made by the cooperatives on those transactions, which, I understand, are very substantial?

Mr. HUTSON. Well, some 2 or 3 years ago at least one of the co-operatives did as a result of all of their activities accumulate some profits. The exact amount of that I do not know, because all of it was not in connection with their operations that I was concerned with. Since that time we have had them submit a budget with respect to their expenditures and have approved those budgets and I am advised that no such profits have been accumulated. The earlier profits are a matter for the directors of the association to pass upon and I do not know of any disposition that has been made of it.



Mr. CRAWFORD. You do not mean to say that the cooperatives have not made pretty substantial profits in the last 18 months, do you?

Mr. HUTSON. I do not think so. It has been largely on a service basis for the past year in particular. I have followed it moderately close I would say, in the past year and it has been largely on a service basis. I could submit the contracts if you care to see them and you would see they are performing functions for the Commodity Credit Corporation on a service basis.

Mr. CRAWFORD. Well, in reading the trade reports out of the areas I have been impressed with the thought that there have been some rather strong commitments made to farmers to the effect these profits were going to be distributed to the farmers within the near future. So somebody down there must be terribly misinformed on this whole procedure.

Mr. HUTSON. Well, you are referring to as contrasted with the amount of service and the allowance for that service on the one hand and the sale of peanuts at above the purchase price on the other. In connection with the sale of excess peanuts purchased from the 1942 crop, some of those peanuts were sold into the edible market. The transactions for the year have not been completed. But on the basis of the transactions that have been completed an order has already been issued permitting the cooperatives to make growers an additional payment of \$10 per ton on excess peanuts.

Mr. CRAWFORD. That is what I was getting at.

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. Because I would consider that profits out of the operations of the association. So those have been substantial in the past 18 months?

Mr. HUTSON. Yes; it has been substantial in the past year.

Mr. CRAWFORD. That clears that up. Now based on what you said a moment ago I want to submit this question:

Are the crushers in a position to go through the area down there and make a statement to the effect that the crushing program of the forthcoming crop has already been agreed to and decided upon? Are they in a position to do that?

Mr. HUTSON. The details of the program have not been agreed to yet.

Mr. CRAWFORD. Or as to tonnage?

Mr. HUTSON. That has not been decided.

Mr. CRAWFORD. That answers the question. In other words, they are not in a position to do that?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. The reason I bring up that question is that personally I am very much concerned about there being plenty of peanuts assigned to the edible trade to take care of that trade because it seems to me that when your fats and oil situation straightens up in the post-war period that is going to be a very beneficial thing for the peanut industry if they still have a large direct consuming trade which consumes peanuts as such in the form of peanut butter and in candy, and so forth, and products such as that because it is from that market that they will probably have to gather most of their income rather than depend upon the oil market which we will say is favorable at the moment.



Mr. HUTSON. I think that is a very good point. But I think you will also agree that we have to first think of winning the war and we have got to think of the uses of the goods that we have during this war period so that these particular uses may contribute most to the winning of the war. I make that observation merely to indicate there are two sides to the question.

Mr. CRAWFORD. I agree with you on that. But I am one of those who sticks steadfastly to the proposition we have to have a United States after the war ends and an industry to support the United States and industries which give jobs after the fellows return from the war, otherwise we will lose the war after the shooting stops. So I don't get very much excited about using everything up for the winning of the war. I still want to live after the war is over, so far as I am concerned.

Mr. HUTSON. I think both points ought to be considered.

Mr. CRAWFORD. Now, you made a statement the other day, I believe, to the effect that we had purchased the Cuban sugar crop of something like 2,700,000 tons?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. What was the price you paid for that, \$2.65?

Mr. HUTSON. \$2.65 per 100 pounds f. o. b. Cuba.

Mr. CRAWFORD. What steps have been taken with reference to the purchase of the balance of the sugar crop in the Caribbean Sea area?

Mr. HUTSON. Negotiations are in progress now. There have been no other purchases concluded that I know about.

Mr. CRAWFORD. We are proceeding on the assumption that we may purchase sugar both in granulated form and in the field area to hold as reserve stocks down there?

Mr. HUTSON. I know of no proposals for purchase of sugarcane in the fields.

Mr. CRAWFORD. In other words, we are buying only in granulated form?

Mr. HUTSON. We buy only either raw or refined sugar.

Mr. CRAWFORD. And they will carry their own agricultural inventory charges so far as standing cane is concerned?

Mr. HUTSON. That is my understanding.

Mr. FORD. While we are on the subject of sugar, and sugarcane may I ask a question?

Mr. CRAWFORD. Yes.

Mr. FORD. Does the Commodity Credit Corporation buy that sugar?

Mr. HUTSON. The 1941-42 crop of Cuban sugar was purchased by the Defense Supplies Corporation.

Mr. FORD. Now, do you know anything about this statement. I am told that they quit grinding in Cuba and wherever the other places are where they raise sugar because they have no place to store all the ground sugar. Is there anything in that?

Mr. HUTSON. I think there are places in that area in which that was undoubtedly a factor in the quantity of cane that they ground.

Mr. FORD. That would be an economic loss?

Mr. HUTSON. No, not necessarily. As they handle the product there that cane stands for several years and if they cannot harvest it this year they harvest it next year.

Mr. FORD. That was not the information I got. You probably know more about it but I am just repeating to you a statement which has been made.

Mr. HUTSON. In Louisiana they plant sugarcane and harvest about two crops from the cane. In the area south several crops are harvested. If it is not harvested one year it is harvested the following year.

Mr. FORD. What steps are being taken to get that sugar over here? I've got a brainstorm; maybe it doesn't amount to anything. But we are building and we are turning out five or six merchant ships a day. About four of them are being turned out three a day over here on the Gulf coast and on the Atlantic coast. Those ships have to be given what is called a shake-down run. Why is it not feasible to make that shake-down run to Cuba and load them up with sugar and come back here?

Mr. HUTSON. Well, I would be very happy if that could be done. I am not an expert in shipping, Mr. Ford, but I will be glad to look into that.

Mr. FORD. You have some sugar there that you want to get over here?

Mr. HUTSON. Yes, sir.

Mr. FORD. The Maritime Commission have some ships which they have to shake-down. I suggest the matter be taken up to see if we cannot get the shake-down run on these ships used to bring sugar into the United States when they say they have no other bottoms to use.

Mr. HUTSON. We are moving sugar all the time from Cuba and the other areas into the United States. We are not moving enough to keep supplies for consumers at the level that existed prior to the war.

Mr. FORD. There are about 30,000 tons a day that could be brought in on the basis of the tonnage of these ships.

Mr. HUTSON. I will be very glad to explore that.

Mr. FORD. I wish you would look into that.

Mr. HUTSON. Yes, sir.

Mr. CRAWFORD. Mr. Hutson, on the soybean proposition, have you had to pay any subsidies to producers of soybeans directly or indirectly?

Mr. HUTSON. In the spring of 1942 the price of soybeans to producers was protected at \$1.60 a bushel. That is, an announcement was made that when the beans were ready for harvest that the farmers would received not less than \$1.60 a bushel for the beans. That was in accordance with the provisions of the Steagall amendment.

Mr. CRAWFORD. To cover the 1942 crop?

Mr. HUTSON. Covering the 1942 crop. When harvest time approached price ceilings had been put on soybean oil. These price ceilings were such that processors could not pay the \$1.60 a bushel and they so advised us. That is, relatively few of them could, the most efficient and those that had the better plants, but the vast majority of them could not. We were confronted with the proposition of either entering into a contract with processors for the purchase of these beans or setting up an organization and purchasing the beans ourselves. We started in June of 1942 negotiating with the processors with respect to their taking over these commitments. Just prior to the beginning of the crushing season the contracts were concluded with all of the processors in the major soybean-producing areas. Later contracts were entered into with processors in other areas for the

crushing of these beans. Under the terms of these contracts the crushers paid growers the announced support prices. The processors purchased beans for the account of Commodity Credit Corporation and the beans were resold to processors at specified prices, which in most cases were slightly lower than the announced support price. That loss, that is, the difference in the price the farmer received and the price at which the beans were sold to the processors was absorbed by the Commodity Credit Corporation. They did not cover the entire area. That is, there were some counties in which they did not have the facilities and we were unable to work out the arrangement for their purchase because the crop was larger than the plants in the major soybean-producing area could handle. In connection with the southern contracts, in some cases we were able to negotiate contracts under which these processors entered into substantially the same arrangement. In other cases it was necessary for us, that is, the Commodity Credit Corporation, to purchase the beans and store them for a while and then ship them to southern mills.

Mr. CRAWFORD. Before you came into the field the grower of soybeans would sell his beans to the mill that did the crushing and to whom else?

Mr. HUTSON. You mean the normal method?

Mr. CRAWFORD. Yes.

Mr. HUTSON. Well, he could send them generally to an elevator man who in turn would sell them to a crusher.

Mr. CRAWFORD. To the crusher?

Mr. HUTSON. Yes.

Mr. CRAWFORD. So the farmers' outlet was the local elevator concern?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. That was on an overmarket basis, we will call it?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. Then the Department of Agriculture announced a support price?

Mr. HUTSON. That is correct.

Mr. CRAWFORD. The crusher finds himself in a squeeze. The Commodity Credit Corporation comes into the picture and proceeds to make the purchase. So in doing that then did we not destroy such historical background as the farmer had established in the way of his distributing machinery?

Mr. HUTSON. All of the agencies that had performed services in this marketing field were utilized under this new arrangement. We merely underwrote the transaction and the operations were carried on exactly as they had been carried on before.

Mr. CRAWFORD. Doesn't it, or does it—I am seeking information now because I do not know—doesn't that force the grower of soybeans to dispose of his products at whatever price the Commodity Credit Corporation may set?

Mr. HUTSON. Well, the price was a minimum price. In our contracts with the processors we would pay the \$1.60 which we guaranteed the farmer and authorize him to pay that much. To the extent that the processors could absorb an additional cost he was authorized to pay it. That is, there was no limitation as to the price he could pay. But he could use Commodity Credit Corporation funds in paying only the announced support price.



Mr. CRAWFORD. \$1.60?

Mr. HUTSON. \$1.60.

Mr. CRAWFORD. Now, would the Office of Price Administration and the Commodity Credit Corporation and such other agencies as might have been operating permit the crusher to pay more than \$1.60 to the farmer?

Mr. HUTSON. There was no ceiling on the price of soybeans until rather late in the season. About 2 months ago the processors began to see, that is, some processors were beginning to see they might have difficulty in getting soybeans for the operation of their plants. And at that time, those farmers who had stored these beans in the fall were reluctant in many cases to move these beans because they felt that the price might be higher later in the season. In order to settle the issue with respect to price and to encourage the movement of beans a ceiling price was put on beans at \$1.66 a bushel.

Mr. CRAWFORD. Well, now, going to your field bean program, white beans, red kidneys, and such as that, that you announced on the 1943 crop, or somebody announced it, you will be brought into that picture, will you not? Is it your intention for the Commodity Credit Corporation to make those purchases?

Mr. HUTSON. There has been no definite decision on that point, Congressman Crawford. It is entirely possible that we will be asked to work out an arrangement for these dry edible beans similar to the one we worked out for the soybeans.

Mr. CRAWFORD. But up to the present time there has been no ceiling price placed on the various grades and types?

Mr. HUTSON. There are ceiling prices on dried edible beans at the present time and with existing ceilings and with the support prices that have been announced there are some losses to be absorbed. It now appears that we must enter into, in order to carry out the price commitments that have been made, either a purchase or resale arrangement or advance the ceiling prices on dried edible beans.

Mr. CRAWFORD. Then you do not know what you will pay the farmers until this arrangement is completed, do you?

Mr. HUTSON. We have certain minimum guarantees out with respect to the prices; yes, sir.

Mr. CRAWFORD. Will you put those in the record for us?

Mr. HUTSON. I will be glad to put them in the record for you.

(The statement is as follows:)

#### SUPPORT PRICES FOR DRY EDIBLE BEANS

The grower support price of 1943 crop No. 1 dry edible beans is \$6.50 per hundred pounds, cleaned and bagged in carlots, f. o. b., carrier, at country shipping points, for the following classes: Pea, Great Northern, Small White, Flat Small White, Pinto, Pink, Small Red, and Cranberry; and \$7.50 per hundred pounds, f. o. b. basis for the following classes: Lima, Baby Lima, Light Red Kidney, Dark Red Kidney, and Western Red Kidney.

The Commodity Credit Corporation will also purchase from the 1943 crop No. 2 dry edible beans, the price for No. 2 grade to be 15 cents below the prices announced April 8, 1943, which applied to No. 1 grade.

Beans of No. 3 grade will be purchased at a discount of 40 cents from the price of No. 1 beans, if the supply of No. 3 grade is so large (because of weather conditions in 1943) as to make such purchases necessary to assure the maximum quantity of beans reaching consumption channels.



Loans will be made on thresher-run beans of all classes (except tepary and mixed beans), at \$5.50 per hundred pounds for U. S. No. 1, \$5.35 for U. S. No. 2, and \$5.10 for U. S. No. 3 with appropriate discounts for substandard beans having a percentage of defects in excess of the maximum permitted in U. S. No. 3. These loans will be made on thresher-run beans stored either on the farm or in warehouses.

The discounts on No. 2 and No. 3 beans represent the usual price differentials in the principal bean-producing areas.

Mr. CRAWFORD. Could you give a figure yet as to the estimated subsidy that will be involved in the edible bean program for the 1943 crop?

Mr. HUTSON. I will be glad to supply that for the record. I do not have the figures here before me.

(The information requested appears in a table on p. 234.)

Mr. FORD. Could I make a comment at that point on the soybean matter? Following Mr. Crawford's statement, in other words, the Commodity Credit Corporation deprives the farmer of his liberty to sell his beans at a price below what the market would pay at the time? In other words, they fix a ceiling and they insist on his having that price to those processors who could pay \$1.60 but would probably want to pay \$1.65. Therefore, you are depriving him of his liberty to make 5 cents a bushel on his beans?

Mr. HUTSON. We insist on his opportunity to sell them for at least \$1.60.

Mr. FORD. Then you deprive him of his liberty to lose some money, in other words.

Mr. HUTSON. Well, that is one way to put it.

Mr. CRAWFORD. If we could get from you for the record a statement showing your anticipated subsidies on peanut oil, cottonseed oil, soybeans, dried edible beans, and how you intend to make the purchases and distribute the subsidy benefits it seems to me it would help us very greatly in reaching some conclusion on this whole proposal. And up to date I do not believe we have any figures put into the record which give us any idea of what the subsidy cost will be on any of these particular commodities that I have mentioned.

Mr. HUTSON. In submitting estimates as to losses that might be incurred in connection with the 1943 harvest of crops it would be necessary to estimate first the production.

Mr. CRAWFORD. That's right.

Mr. HUTSON. Second, it would be necessary to assume a ceiling price. I take it that you would want us to assume that existing ceiling prices continue to prevail.

Mr. CRAWFORD. You would have to establish that arbitrarily?

Mr. HUTSON. Yes.

Mr. CRAWFORD. It seems to me you would necessarily have to do that when you determine that you wanted this additional billion dollars, or which someone determined, or that you wanted an additional \$400,000,000 or whatever the amount may be. It must be based on the same kind of arbitrary estimate?

Mr. HUTSON. Such estimates have been prepared and I will be glad to submit them for the record.

(The statement is as follows:)

*Estimate of losses on price support programs for 1943 crops, based on existing ceiling prices*

Dry edible beans-----	\$10,000,000	Fluid milk-----	\$9,000,000
Cheddar cheese-----	15,000,000	Sugar beets-----	24,000,000
Peanut oil-----	2,500,000	Vegetable processing-----	25,000,000
Cottonseed oil-----	7,000,000	Dairy cattle-----	2,650,000
Soybean oil-----	7,000,000		
Peanuts-----	30,500,000	Total-----	175,650,000
Soybeans-----	43,000,000		

The CHAIRMAN. Right there, let me ask you one or two questions before we go. This may already be in the record, I am not sure. One of the things to be made clear in these discussions is the amount of funds you have available for the incoming year, and what they are to be used for. And in that connection the detailed accounting of your transactions for last year as expressed in dollars and cents, in whatever form expended or used. A condensed statement on that ought to be in this record so we can turn to it for such information.

What funds do you have available still?

Mr. HUTSON. Do you want to go into that now?

The CHAIRMAN. I do not want to go into it except that I want to know what funds you have available, just a brief statement, in dollars and cents, if you have it. We want all of that in the record. I am just asking now what funds you have for your operations for the incoming fiscal year.

Mr. HUTSON. Prior to the announcement of the new wheat loan program we have about \$500,000,000 available. Most of that will be required and will be obligated when the new wheat program is announced. That will be announced early in June. We would have after the announcements of the 1943 loan program on wheat some place between \$100,000,000 and \$200,000,000 available for future commitments.

The CHAIRMAN. Well, how are you going to employ that amount in connection with the wheat program for this year?

Mr. HUTSON. When we announce the wheat loan program for the 1943 crop we will obligate a sum of money which we estimate to be necessary to equal a total amount that will be loaned on this crop of wheat. We estimate that will be in excess of \$300,000,000. Last year it was in excess of \$400,000,000.

The CHAIRMAN. How did you conduct your loans on wheat?

Mr. HUTSON. We announced that loans will be made at specified rates which in this case are 85 percent of parity price on wheat with different locations based upon historical and freight differentials.

The CHAIRMAN. Do you pay the actual dollars when you make a loan on wheat?

Mr. HUTSON. No; we do not; unless it is a direct loan, and 90 percent of the loans are so-called indirect loans.

The CHAIRMAN. The same as cotton?

Mr. HUTSON. That is correct. Not exactly the same, but the principle is the same.

The CHAIRMAN. That is what I am thinking about. I am wondering how much actual cash you have to have to conduct those transactions. You have your figures based on your previous experience which will enable you to pretty well anticipate just what actual

amount of money you will have to have to make good on your assurances and loans, and I am wondering if there is any elasticity there with respect to the funds that will enable you to carry out that program without having to have the required amount of money which has been estimated. I want to know what is the minimum amount you need to carry that program out.

Mr. HUTSON. I do not think you could announce a wheat loan program with less than \$300,000,000.

The CHAIRMAN. Right in that connection, let me ask you, how much actual cash do you put up in the operation with respect to your loans last year?

You have figures on that, haven't you? They are available?

Mr. HUTSON. I do not have them right here.

The CHAIRMAN. I mean, you can get those figures?

Mr. HUTSON. Oh, yes. I would estimate about \$40,000,000 at the time the loans were made. But the additional money required or funds required were obligated in order to underwrite the banks who did put up the money and did make the advance to the farmers.

The CHAIRMAN. Every time a bank makes a loan to a farmer on wheat or cotton do you have to go and get the cash and show the bank that you are prepared and that you have the amount that it would take to redeem all those loans at one time?

Mr. HUTSON. No; but we obligate that amount.

The CHAIRMAN. You know we maintained the gold standard in this country for a long time and only \$100,000,000 actually used.

Mr. HUTSON. That is correct.

The CHAIRMAN. Only \$100,000,000 was used for redemption purposes.

Mr. HUTSON. We have interpreted the law that when we are underwriting a banking institution which advances money on a loan, that we must be in a position to take that loan off of the bank's hands at any day that we are requested to do so. We obligate a sum of money equal to the total amount of the loans outstanding.

The CHAIRMAN. Do you keep on hand idle the same amount of money that is involved in the loans by a bank on cotton and wheat?

Mr. HUTSON. No, sir; we do not.

The CHAIRMAN. That is what I am trying to get at. I am trying to help along in what you want to do about this matter. I am wondering if you really require as much actual cash to do this work as you would estimate if you anticipate that every one of these loans is going to be thrown at you for redemption by the banks?

Mr. HUTSON. Well, we indicated yesterday there were loans outstanding held by banks to the amount of approximately \$500,000,000. Now, we set aside and we obligated on our books enough to cover that.

The CHAIRMAN. Well, that is just what I asked you a moment ago. Do you actually set that aside?

Mr. HUTSON. No; we obligate the funds.

The CHAIRMAN. Do you actually set aside for the amount of those loans a sum of actual cash to redeem the loans? It seems to me if you do there is a lot of lost motion and it is not necessary.

Mr. HUTSON. No; that is not done.



The CHAIRMAN. It would be simple to proceed on the basis of your experience and estimate just how much you require to reasonably anticipate these demands. In the meantime you have stocks on hand from time to time being sold, and inventories, out of which you could get additional cash if necessary. What I am trying to get at is the actual needs and requirements in cash that should be anticipated for use for the following year. We do not want to put up any more than we have to. That is what I am talking about.

Mr. HUTSON. It is not the amount of cash that is actually involved in the transaction. It is the amount that we are obligated for. We have a borrowing power of \$2,650,000,000 and a capital stock of \$100,000,000, making a total of \$2,750,000,000. When our obligations, and we interpret the loans made by banks underwritten by the Commodity Credit Corporation as obligations, approach the \$2,750,000,000 level it is necessary either to liquidate the commodities we hold or discontinue new obligations. Now, the actual money involved will be less than our obligations to the extent that the money is advanced by banks. If today the banks should indicate to us they wanted to turn over the commodities with a value of \$100,000,000, or loans of that amount, we would go to the Treasury today and borrow that much money.

The CHAIRMAN. As a matter of fact, if I understand you correctly, on last year's operations you got through on those operations by having to employ only \$40,000,000 in actual cash?

Mr. HUTSON. On wheat, that is correct. There is one point more. We had delivered to us on the 1st of May about 150,000,000 bushels of wheat. It required cash to pay for that wheat.

The CHAIRMAN. That was under a specific act of Congress and was separate and apart from your regular operations, wasn't it?

Mr. HUTSON. No, no. When the loans matured here on the 1st of May the farmers had to decide whether or not they would deliver the wheat to us or pay off the loan and take title to the wheat. Some of them continued in the case of farm-stored loans to carry the loans because they were 2-year loans. In the case of elevator loans they redeemed or had redeemed during the immediately preceding weeks about 30,000,000 bushels of wheat and on that date they turned over to us about 150,000,000 bushels of wheat.

The CHAIRMAN. Where did you get your wheat which we authorized you to buy for feed for livestock?

Mr. HUTSON. We owned that wheat.

The CHAIRMAN. That was wheat to which you had taken title?

Mr. HUTSON. That was wheat we had previously taken over. Originally it was loan wheat.

The CHAIRMAN. So you had that and sold it and got how much?

Mr. HUTSON. Well, we have sold in all close to 225,000,000 bushels of wheat.

The CHAIRMAN. Then you had more than enough out of that fund to take care of the loans that you had underwritten, didn't you, on the 1st of May?

Mr. HUTSON. No. You have handling charges, freight, and one thing and another. I will be glad to submit a statement indicating the position a year ago and now. There is more money in wheat now than there was a year ago.



Mr. WOLCOTT. Mr. Chairman, when we come back this afternoon, if we do come back——

The CHAIRMAN. Let us come back at 3 o'clock if we can.

Mr. WOLCOTT. I want to ask Mr. Hutson a question. I think we should crystallize this issue.

The CHAIRMAN. That is just what I was trying to do.

Mr. WOLCOTT. I am going to ask you a question, the answer to which can be inserted in the record this afternoon.

What would the effect on your program be if we did not pass this bill.

The CHAIRMAN. Well, I do not think that the committee wants to take the time now and we may want to go into some detail on it.

(Whereupon the committee recessed until 3 p. m.)

#### AFTERNOON SESSION

The committee reconvened at 3 p. m. pursuant to the recess.

The CHAIRMAN. Let the committee come to order.

Mr. Hutson, referring to where we were right when we recessed this morning, let me ask you, What funds do you have available for your 1943 fiscal year operations?

Mr. HUTSON. If I could proceed about 2 minutes I believe I can clear up that point, Mr. Chairman.

The CHAIRMAN. I want to get a picture of your present year's operations and get it broken down so we can see that picture as we go along. We need that at some stage of the game so we might as well get it now. Do it in your own way; that is all right.

Mr. HUTSON. The estimate of \$1,000,000,000 additional borrowing power needed to carry out programs of Commodity Credit Corporation for the fiscal year 1944 is based on the total amount that is expected to be obligated under the various programs rather than the amount of cash that may be actually expended by Commodity Credit Corporation. For example, it is estimated that there will be outstanding under the 1943 cotton loan program at the peak period a total of \$250,000,000 in notes in the hands of Commodity Credit Corporation and banks. Some of these notes will be repaid to banks and no disbursement made from Commodity Credit Corporation funds. It is necessary for Commodity Credit Corporation to have the authority to obtain funds in sufficient amount to meet these total obligations since the banks carry these loans under a contract containing the guarantee of Commodity Credit Corporation to purchase the loans. The failure to provide funds sufficient to meet the total obligations would mean that the banks would not be willing to participate in the programs since they would have no effective guaranty of purchase by Commodity Credit Corporation.

I will put in the record a statement showing our estimate of the funds required for the fiscal year 1944. This statement will show as of June 30, 1943, our total investment in commodities owned and loans, banking holdings and unused commitments on programs now in operation. These total, and this is to your specific point, \$2,285,000,000, as compared with our total available resources, which include the present authorized borrowing power and our capital stocks, of \$2,750,000,000. The amount available for new commitments as of June 30 would, therefore, be \$465,000,000. The total estimated commitments for the fiscal year 1944 are \$2,059,000,000, which exceeds the available funds

on June 1 by \$1,500,000,000; however, all of these commitments for 1944 will not be made in the early part of the year, and some funds will be available through liquidation and sale of commodities, which will reduce the requirements for additional borrowing power.

The peak period of commitments occurs in August of this year, at which time it is estimated that the commodities owned and under loan plus the unused portion of commitments for programs in operation at that time will be \$3,722,000,000. By next June 30 it is expected that this total will be reduced \$2,984,000,000, but at that period of the year we will be faced with new programs for the next fiscal year.

The amount that will be available if no action is taken by the Congress would be the \$465,000,000 previously referred to plus the \$97,000,000 estimated collections during the month of July and the remaining figures are on a cumulative basis and would represent the amount which when added to the \$465,000,000 would be the total amount that would be available at the end of the month. They are in each case stated on a cumulative basis. Stated cumulatively the amount would be \$182,000,000 in August, \$270,000,000 in September, \$359,000,000 in October, \$464,000,000 in November, \$595,000,000 in December, \$727,000,000 in January, and \$867,000,000 in February, and on until June next it would be \$1,450,000,000.

If it were possible to carry on the operations during the next 6 months, it then might be possible to carry on the operations as planned for the following 6 months with a less amount of money than the billion dollars. But we do not see how in the light of the commitments that are now outstanding and in the light of the action Congress has taken with respect to the mandatory loans on wheat, cotton, corn, tobacco, and peanuts and with the commitments made under the provisions of the Steagall amendment, we do not see how in the light of these provisions that we can carry on the operations except with an increase in borrowing power of approximately \$1,000,000,000. Originally this estimate came to me, Mr. Chairman, as \$1,500,000,000. And we reworked these figures several times, taking into account the possibilities of reductions here and there, and have been eventually able to reduce it to this \$1,000,000,000 figure.

The CHAIRMAN. All right. Now, let me ask you the question, What is required to conduct your operations during the present fiscal year for 1943?

Mr. HUTSON. The total loans and purchases during the past fiscal year will be in excess of \$2,000,000,000.

I will supply the exact figures for the record.

The CHAIRMAN. All right. Now, again let me ask you what funds you have expended during the past 2 years. What I mean is how much less money have you got than you had at the beginning of the fiscal year? You have this amount that you have indicated. But what I am talking about now is how much you had to start with. What I am trying to get at is how much actual money it took you to operate for the fiscal year. That is the question I am trying to get at. I am not talking about commitments or obligations.

Mr. HUTSON. The total amount of money that we have invested in commodities on direct loans and purchased commodities at the present time totals about \$1,600,000,000. There is in addition the obligations of about \$500,000,000 which represent guaranties to banks which hold loans which we are obligated to pay if they are presented to us.

I will supply for the record a statement on the past fiscal year.

Mr. SPENCE. However much cash may be actually required you cannot obligate yourself beyond the unobligated balance of your funds?

Mr. HUTSON. That is correct.

The CHAIRMAN. I still want to know how much money you used this present fiscal year.

Miss SUMNER. You mean cash?

The CHAIRMAN. I am talking about money, just so we can find out how much money you used this past year. I mean how much you parted with.

How much money did you have at the beginning of this present fiscal year?

Mr. HUTSON. Cash on hand June 30, 1942, was \$75,814,591.10.

Miss SUMNER. What is it in cash?

Mr. HUTSON. The total cash outlay for the current fiscal year is something in excess of \$2,000,000.000.

The CHAIRMAN. Now, you have the figures that will show that exactly?

Mr. HUTSON. Yes; I will supply the exact figures.

The total cash disbursed for the period June 30, 1942, to April 30, 1943, was \$2,254,750,682.26.

The CHAIRMAN. Now, you mean by that that you have that much less money than you had at the beginning of the year?

Mr. HUTSON. No. The collections were made during the year.

The CHAIRMAN. How is that?

Mr. HUTSON. The collections were made during the year.

To answer that question, Mr. Chairman, I will have to get the exact figures because we do not keep our books just that way.

The CHAIRMAN. What you paid out does not indicate how much money it took to do business, you know, because you have a revolving fund. You turn it over. I do not think that I have this thing clear in my mind now. Mr. Wolcott suggests a way of stating it; How much have your funds been depleted as a result of your operations during the present fiscal year?

Mr. HUTSON. The estimate on the basis of the inventory now provided by law would be about \$37,000,000. But that is not the point, from the standpoint of operations at all. We must be prepared in making offers to protect the prices of crops, in announcing loans, in obligating funds for the purchase of commodities, to have borrowing power equal to the value of commodities owned, the amount of the commodities under loan and obligations for purchases or the payment of loans. I will furnish a statement showing these amounts as compared to the beginning of the fiscal year.

(The statement is as follows:)

On March 31, 1943, Commodity Credit Corporation owned commodities aggregating \$1,714,235,000, as compared with \$1,061,717,000, on June 30, 1942. The total outstanding loans on March 31, 1943, including loans held by banks, were \$780,733,000, as compared with \$338,502,000, on June 30, 1942. The increase in loans and owned stocks during the current fiscal year through March 31, 1943, was \$1,104,749,000.

Miss SUMNER. May I ask a question right there?

The CHAIRMAN. Yes.

Miss SUMNER. Assuming the following limitations are put into the law or written in the correct legal way so as to carry out the objects



expressed, if you were so limited under the law in the bill about to be passed, that first you would have (a) you could only use money for lending money to support prices under the Steagall amendment and second, for purchasing for war purposes as a purchasing agent for other Government agencies and departments only when fully guaranteed against loss by such agencies of the United States Government. Assuming those two limitations were put upon your power and that you could only spend money for those purposes, how much money would you need for that purpose in the coming fiscal year?

Mr. HUTSON. That would exclude foreign purchases?

Miss SUMNER. Except when guaranteed by some other agency.

The CHAIRMAN. It does exclude it so far as any liability on your part is concerned, so far as the cash is concerned.

Miss SUMNER. That is right. It leaves you without any liability for the war effort.

Mr. HUTSON. I think that the amount could be reduced, that is, this billion dollar request could be reduced some two or three hundred million dollars and maybe as much as \$400,000,000.

Miss SUMNER. In other words, you think that in order to spend money under the first proviso I mentioned and for the administrative expenses and the second part of it, you require something like \$600,000,000; is that right?

Mr. HUTSON. Over and above the amount that is available now plus the amount that will be made available from the sales of commodities during the year.

Miss SUMNER. In making that estimate did you include administrative expenses in the second proviso I mentioned? In other words, did you assume in answering you were going to pay administrative expenses in making these purchases?

Mr. HUTSON. Yes; I did.

Miss SUMNER. Assuming for a moment you were guaranteed on the administrative expenses, how much would you need?

Mr. HUTSON. When you are referring to administrative expenses you refer to the payment of storage costs or do you refer to salaries, and so forth?

Miss SUMNER. I mean that you would leave your organization intact. Perhaps you could not do that. In other words, you would also put in the proviso that you could not make purchases except when administrative and service charges are guaranteed by other agencies. How much would that diminish the amount you would need?

Mr. HUTSON. Well, very little because your administrative charge would be a relatively small item. The administrative charges of the Corporation amount to \$4,500,000 a year, so that is a relatively small item with reference to these other items.

Mr. FOLGER. May I ask you a question: What do you mean by war activities? Do you mean to include anything besides what you may have done for lend-lease?

Mr. HUTSON. The activities that I classify as related to the war are purchases in connection with lend-lease operations—foreign purchases and purchases under the Steagall amendment—that is, purchases where you request an increase in production. On the other side I would place the loans on corn, wheat, cotton, tobacco, and rice, and there is slightly more in the last group than there is in the first one, not a great deal of difference.



Mr. MONRONEY. How did you get that \$400,000,000 saving by the limitations that Miss Sumner has put in? How does that come about?

Mr. HUTSON. That was the estimate of the amounts that would be obligated in foreign purchases. That is the actual deduction that I make.

Mr. MONRONEY. That would be foreign purchases. It would not have any effect on our domestic subsidies at all, or the domestic buying and support price?

Mr. HUTSON. That is correct.

Mr. MONRONEY. That all comes in under your interpretation of the workings of the Steagall amendment?

Mr. HUTSON. And the mandatory loan provision.

Mr. MONRONEY. Yes.

Mr. KEAN. Mr. Hutson, last year, June 30—according to your statement, on June 30, 1942, you were borrowing \$1,100,000,000. Couldn't we find out pretty quickly how much cash you have been spending by finding out what you are borrowing now?

Mr. HUTSON. We could find the difference in the collections and disbursements.

Mr. KEAN. How much are you borrowing approximately now?

Mr. HUTSON. \$1,600,000,000.

Mr. KEAN. So there is \$500,000,000 that has been actually paid out?

Mr. HUTSON. \$500,000,000 more paid out than has been taken in.

Mr. KEAN. Yes.

Mr. HUTSON. Yes.

The CHAIRMAN. You said a half a billion dollars?

Mr. HUTSON. That is right.

Mr. KEAN. How much of that roughly comes from these foreign transactions and what some of us call subsidy payments, and so on, and how much of that comes from the normal old-line business that you are doing?

Mr. HUTSON. Well, the so-called subsidy operations up to April 30 amount to slightly less than \$25,000,000.

Mr. KEAN. \$25,000,000?

Mr. HUTSON. Yes. The foreign purchases up to April 30 amounted to \$207,000,000 and the remainder would be in these other items.

Mr. KEAN. How much have you got available as of now?

Mr. HUTSON. \$465,000,000.

Miss SUMNER. When did you begin to depart from the policy of merely supporting loans on basic commodities including wheat, cotton, and similar commodities which as I understand are typically called basic commodities, aren't they, Mr. Chairman?

Mr. HUTSON. The first operation in connection with the war program was in September 1939 when we undertook to purchase flue-cured tobacco after the market closed in North Carolina. It was about the time that England and Germany started war.

Mr. FOLGER. Right there may I make an observation, if you had not come to the support of tobacco prices in the flue-cured tobacco growing areas including North Carolina, Virginia, and other States in 1939 when our warehouses closed, there would not have been an automobile or a refrigerator sold to the farmers south of the Mason-Dixon line. It saved the market.

Mr. WOLCOTT. Do you mean all the automobiles south of the Mason-Dixon line were bought by the Commodity Credit Corporation?

Mr. FOLGER. No. The farmers were getting five and six dollars a hundred pounds for their tobacco and they quit and closed the warehouses. The Commodity Credit Corporation came in, you understand, at the time the Imperial Tobacco Co. and other foreign companies went off the market, they quit and the thing just fell flat. The farmers would not have gotten enough to pay for their fertilizer.

The CHAIRMAN. That applies to some other things as well as tobacco.

Mr. WOLCOTT. You do not want to intimate that our automobile workers stopped smoking cigarettes, do you?

Mr. FOLGER. No, what I mean to indicate is that there was less being sold on the market.

Mr. WOLCOTT. We buy lots of tobacco.

Mr. FOLGER. I understand that. We want to trade. We want to buy more automobiles.

The CHAIRMAN. Tobacco is a cash crop.

Mr. FOLGER. That is right.

The CHAIRMAN. And not only do they want to buy them but the people who work on and produce the basic crops of this country are certainly entitled to have them if anybody is entitled.

Mr. WOLCOTT. I do not think there is any question about what might be considered to be the legitimate activities of the Commodity Credit Corporation, and that was one of them. Undoubtedly that is what we set it up for.

The CHAIRMAN. I want to ask one or two questions. Speaking about being prepared to answer the demands of banks carrying the loans on cotton, have you had any trouble with the banks wanting the Commodity Credit Corporation to redeem their loans on cotton?

Mr. HUTSON. We have never been in a position that we could not borrow money and all the request that is made here in this connection is for the authority to borrow money. And we have always had a surplus of borrowing power.

The CHAIRMAN. But as a matter of fact, Mr. Hutson, the banks which carry the loans on cotton and earn that interest under the provisions of the contract you make, are glad always to continue those loans, aren't they?

Mr. HUTSON. I doubt if we are authorized to guarantee those loans when we cannot borrow the money to do so.

The CHAIRMAN. Let me ask you this. I am talking about the other end of the transactions. The banks never call you for the purpose of getting rid of those loans, have they?

Mr. HUTSON. Yes; from time to time.

The CHAIRMAN. Oh, I wouldn't say it has never happened in a single instance, but what I mean is that as a practical matter the banks, once they get those loans, under existing conditions, are always glad to keep those loans.

Mr. HUTSON. They generally will continue to carry the loans.

The CHAIRMAN. Let me ask you this: How much of these loans do you have now on cotton with the banks?

Mr. HUTSON. The total amount outstanding in the banks is

\$500,000,000.

Mr. RATHELL. The banks have about \$240,000,000 on cotton loans.

The CHAIRMAN. I thought he said \$250,000,000, and I wanted to be sure. Now, what crops do those loans cover?

Mr. HUTSON. 1941 and 1942 crops, mostly 1942 crops.

The CHAIRMAN. Mostly 1942?

Mr. HUTSON. That is right.

The CHAIRMAN. Now, the banks are not bothering you about those loans, are they?

Mr. HUTSON. They are not.

The CHAIRMAN. Do you have any difficulty in permitting the banks to continue those loans? Of course, in the meantime giving the farmer their right to cancel the contract?

Mr. HUTSON. No; I think generally the banks are willing to carry those loans.

The CHAIRMAN. How much of cotton is there?

Mr. HUTSON. There is now under loan——

The CHAIRMAN. I am talking about these loans that the banks are carrying.

Mr. HUTSON. There are 3,300,000 bales of cotton under loan.

The CHAIRMAN. That is, with the banks.

Mr. HUTSON. And a small amount of it might be direct loans, but more than 90 percent of it is with the banks.

The CHAIRMAN. Yes.

Now, you don't anticipate any trouble about the banks continuing that, do you?

Mr. HUTSON. If we were not in a position to take up the loans if they wanted it I most assuredly think we would have difficulty.

The CHAIRMAN. Have you any plans for taking title to that cotton?

Mr. HUTSON. No definite plans have been formulated with respect to taking title to that cotton.

The CHAIRMAN. I understand that. It probably would not be definite until you were ready to act, but I did not ask you if there was any definite plan. I asked you if there was any plan?

Mr. HUTSON. There are about 600,000 bales of 1941 crop of cotton under loan. These loans are being liquidated; that is, redeemed by farmers at a rapid rate. If they should discontinue paying off those loans, it is possible that the loans would be called.

The CHAIRMAN. Well, you don't object to the farmers paying those loans?

Mr. HUTSON. We much prefer to have it that way.

The CHAIRMAN. Let us come back to the question I asked you about plans for taking title to this cotton. That is what I want to get an answer to right now. I want you to tell us about what plans are under way or under consideration, whether they are definite, or indefinite, for taking title to this cotton that the banks are carrying?

Mr. HUTSON. There are no definite plans.

The CHAIRMAN. I know that. You told me there are no definite plans. But I asked if there were any plans.

Mr. HUTSON. I do not know of any plan except a general statement that was made at the time the proposal for the price ceiling on cotton was up for consideration. At that time it was indicated that enough cotton would be made available to take care of requirements



even if that involved the calling of cotton loans. But no plans have been formulated.

The CHAIRMAN. Tell us about that situation so we can know what we are doing, Mr. Hutson. You say now it was indicated that it might be desirable to take over some of this cotton if there was need for it to supply the demand. Tell us what you mean by that so we can understand it.

Mr. HUTSON. About a month ago there was a proposal made with respect to ceiling prices on raw cotton. People in the Office of Price Administration raised a question as to whether or not enough cotton would be made available to take care of requirements at the prices reflected by the ceiling price on cotton goods. And that proposal was discussed for some days over in the executive branch of the Government. The decision was finally made that the authority on the one hand of the Commodity Credit Corporation to sell cotton at or above parity plus the authority to call loans on cotton represented in itself sufficient protection in that area and since that time——

The CHAIRMAN. Pardon me for interrupting, but what do you mean by protection?

Mr. HUTSON. That it would make available sufficient supplies of cotton. I will be glad to read the statement.

The CHAIRMAN. You mean plans were under discussion to hold down the price as low as they could as long as it was possible to get the necessary cotton that they had to have?

Mr. HUTSON. I will read the public statement that was put out at that time. This is a joint statement put out by the Office of Price Administration and the War Food Administration.

The Office of Price Administration and the War Food Administration announce jointly \* \* \* to stabilize the price of cotton.

The CHAIRMAN. Let me ask you something. Don't you regard the price of cotton as having been stabilized recently?

Mr. HUTSON. Yes; the prices have been relatively stable.

The CHAIRMAN. Is there anything that has been more stable than the price of cotton?

Mr. HUTSON. No; I do not know of anything.

The CHAIRMAN. What do you mean, talking about stabilizing the price of cotton. What do you mean by that? I mean in common parlance and as it would be defined in private statements instead of public statements such as you are reading from?

Mr. HUTSON. I think that some were concerned that a tight situation would develop for some particular grades of cotton and that would result in prices substantially above those reflected in the price ceilings.

The CHAIRMAN. What they were discussing was that if you did not have on hand cotton to which you had taken title out of which you could make sure of a supply for the demands that might arise, that you were to squeeze out of the loan a sufficient amount of cotton to be forced on the market to accomplish that result?

Mr. HUTSON. I did not hear the word "squeeze" used in connection with it but I suppose the effect of it would have been the same.

The CHAIRMAN. Then you pick a synonymous word and describe——

Mr. HUTSON. I will read the points that were covered in the statement.



The CHAIRMAN. Let me ask you this. We want to get some of these private discussions rather than just what appears in the public print. Where is the difficulty about your supplying that cotton in the absence of calling these loans?

Mr. HUTSON. We own more than 3,000,000 bales of cotton. But the bulk of this cotton consists of medium and low-grade cotton as contrasted with some of the better qualities and longer staples. Some of these better qualities of cotton were under loan. We do not have supplies of some of these and it was anticipated it might be necessary to get some of this better quality of cotton from the loan and make them available for the trade in order to keep up the production of war goods.

The CHAIRMAN. Who was demanding the grades of cotton that you did not have?

Mr. HUTSON. Do you care to make a statement on that, Mr. Rathell?

Mr. RATHELL. Why, the demand came principally from the combed yarn mills. They were seeking the longer staple cotton. By longer staple I mean cotton above an inch and one-eighth. If we call a loan he would have the right still to repay the loan and sell his cotton.

Mr. RATHELL. That is correct. I we call a loan he would have the right still to repay the loan and sell his cotton.

The CHAIRMAN. Or keep it.

Mr. RATHELL. No; if he failed to repay his loan he could not. But if he repaid the loan, yes; he could sell it or keep it.

The CHAIRMAN. In other words, he can redeem it and take it home or put it in a warehouse.

Mr. BROWN. He would go to the local bank and borrow on it.

The CHAIRMAN. He could do that. The practical situation was that you were calling these loans just as the farmers were getting ready to make their crop and that means that cotton is not going to come on the market.

Mr. HUTSON. We have tried in all cases with respect to cotton and other commodities to call as few loans as possible to encourage people to liquidate it and keep our assets in liquid form.

The CHAIRMAN. I am not saying anything in contravention of that statement. How much cotton has the Commodity Credit Corporation sold this year down to this time? How do you base your year under the Agricultural Adjustment Act, do you base it on the fiscal year or the calendar year?

Mr. HUTSON. Mr. Rathell, do you want to answer that question?

Mr. RATHELL. It is based on the fiscal year.

The CHAIRMAN. On the fiscal year?

Mr. RATHELL. Yes.

The CHAIRMAN. All right. Have you varied that or changed from one to the other at any time?

Mr. RATHELL. No, sir. It has always operated on the fiscal year.

The CHAIRMAN. You have always operated on a fiscal-year basis?

Mr. HUTSON. We have an inventory made on March 31.

The CHAIRMAN. Wait a minute. Let me get this other matter straight. Do you always operate on a fiscal year basis?

Mr. RATHELL. Yes, sir; that is right.

The CHAIRMAN. All right. How much cotton have you sold or has the Commodity Credit Corporation sold or disposed of in any way during the present fiscal year down to this time?

Mr. RATHELL. Mr. Chairman, maybe I should point out if you have in mind limitations on sales as to quantity, that is based on the calendar year. However, when I replied that it was on a fiscal year basis I was speaking of the method in which we make our reports and carry our bookkeeping records.

The CHAIRMAN. Well, do you carry your bookkeeping contrary to the law under which you operate and the way you conduct your business?

Mr. RATHELL. No, sir.

The CHAIRMAN. I don't understand how you do that. But the question I have in mind is this: You operate on a fiscal year basis?

Mr. RATHELL. Yes, sir; that is correct. But in selling cotton—

The CHAIRMAN. You then operate on a calendar year basis?

Mr. RATHELL. That is correct. In selling cotton we operate on the calendar year.

The CHAIRMAN. Now, how much cotton have you sold since the last day of December 1942?

Mr. HUTSON. Sales for exports, 79,950 bales; new uses and relief, 10,128 bales; lend-lease sales, 281,069 bales; total sales, 367,147 bales.

These sales were for the period from July 1, 1942, to February 28, 1943.

The CHAIRMAN. Now, let me ask you this question. Doesn't somebody in the Corporation know how much cotton you have sold or disposed of out of Government stocks during the present calendar year down to this time, that is, since the last day of December 1942? That is the question I am trying to get at.

Mr. HUTSON. I can supply it for the record. It would not be greatly different from these figures I have given you but I will supply the exact figures for the record.

The CHAIRMAN. Nobody has those figures here now?

Mr. HUTSON. I do not believe they are made up just for that particular purpose, Mr. Chairman. I have the sales for the calendar year 1942.

The CHAIRMAN. What are they? Let us have that.

Mr. HUTSON. For the 1942 calendar year sales for exports were 296,908 bales; new uses and relief, 52,949 bales. The general sales program, that was in the regular market channels, 1,100,901 bales; lend-lease sales, 665,273 bales.

The CHAIRMAN. How much cotton have you disposed of in round figures during the calendar year 1942?

Mr. HUTSON. Those were the figures I have just given you.

The CHAIRMAN. I understand, but what is the total figure?

Mr. HUTSON. The total is 2,116,081 bales.

The CHAIRMAN. What becomes of the Agricultural Adjustment Act and its provision of the limits under which you are supposed to dispose of Government stocks of cotton?

Mr. HUTSON. Lend-lease operations are not included.

The CHAIRMAN. Well, I am asking you about the law now.

Mr. HUTSON. Do you want to reply to that question, Mr. Shulman?

The CHAIRMAN. State what the law is in the Agricultural Adjustment Act as to the limitations placed on the Commodity Credit Corporation with respect to the sale of this cotton.

Mr. SHULMAN. The Agricultural Adjustment Act provides that not more than 1,500,000 bales can be sold in any calendar year. But the

Lend-Lease Act, which was an act subsequent to the A. A. A. Act of 1938 provides that notwithstanding any other provision of law commodities can be sold on terms and conditions as approved by the President.

The CHAIRMAN. That is 300,000 bales a month?

Mr. SHULMAN. That is correct.

The CHAIRMAN. What other authority is it you want to cite?

Mr. SHULMAN. The Lend-Lease Act.

The CHAIRMAN. What is that provision? Do you have it before you?

Mr. SHULMAN. I do not have the Lend-Lease Act before me but the act provides that notwithstanding any other provision of law commodities can be disposed of under the Lend-Lease Act upon such terms and conditions as the President may prescribe. Now, that act has been considered as overriding the limitation in the 1938 A. A. A. Act in section 381 (c).

The CHAIRMAN. I wish you would put that statement in the record so we would have it. The President may do what?

Mr. SHULMAN. It provides notwithstanding any other provision of law commodities may be disposed of under the Lend-Lease Act under such terms and conditions as the President may prescribe.

The CHAIRMAN. Does it mention the Commodity Credit Corporation?

Mr. SHULMAN. No; not by name.

Miss SUMNER. Does it specifically release the amount of the commodities? I mean, it tells you notwithstanding any other provision of law you can arrange under terms and conditions but it does not say that notwithstanding any previous law that you can sell any amount or any commodities you want, according to your statement?

Mr. SHULMAN. I think that the provision "notwithstanding any other provision of law" does give such authority.

Mr. WOLCOTT. I think the President has authority to designate a use for that purpose. I do not argue with the legality of any of the acts of the Commodity Credit Corporation. I think the Commodity Credit Corporation, under the charter which we confirmed and under the authority which we have given the President to delegate any other authority which he has to any agency of Government gives them authority to do almost anything they want to do. It is a question now of whether we want to limit the authority which we have already conferred upon the President.

The CHAIRMAN. I think there is a question here about the specific provisions of the Agricultural Adjustment Act. Unless there is such a reference to that act as makes clear the intention of Congress to do it then it was not intended. And according to the provision you read it does not mention the Commodity Credit Corporation. And it is simply an authority under terms and conditions which the President may dispose of commodities under lend-lease. That does not justify the interpretation it seems to me, that you have placed on it.

Mr. SHULMAN. We consider that language broad enough to override any existing limitations on the authority to dispose of commodities.

The CHAIRMAN. That was discussed when the lend-lease bill was under consideration?

Mr. SHULMAN. I do not recall.



The CHAIRMAN. Were any of you people up here to make clear that was what was in mind?

Mr. SHULMAN. I do not recall that anyone did appear. I am not certain.

The CHAIRMAN. You still regard the limitations of the A. A. A. Act as binding except as to lend-lease cotton?

Mr. SHULMAN. That is right.

The CHAIRMAN. But you do not regard it as binding as to lend-lease cotton?

Mr. SHULMAN. That is correct.

The CHAIRMAN. All right, now. Let us see how much cotton you have disposed of during the present calendar year under this power which you claim.

Mr. HUTSON. I do not have the exact figures here. It is a relatively small amount of cotton. I will be glad to supply that for the record.

The CHAIRMAN. About how much? Give us a figure and then you can correct it in the record. Just give an estimate and then put the exact figure in the record.

Mr. RATHELL. Sales during the calendar year 1943 to date have been 291,064 bales to lend-lease and 125,651 bales for domestic consumption, including sales for new uses.

The CHAIRMAN. For the present calendar year?

Mr. RATHELL. Yes.

The CHAIRMAN. How do you account for the falling off in your sales?

Mr. RATHELL. Mr. Chairman, in 1942 we had a general sales program that operated during the month of January through May under which the trade, that is, the cotton merchants selling to mills, furnished the Commodity Credit Corporation about 1,100,000 bales of cotton. This was because of a demand at that time which could not be supplied elsewhere. This year, to date, that condition has not developed and we have had no general sales program.

Mr. BROWN. What is the character of the cotton you handle. I mean the staple and grades?

Mr. RATHELL. Congressman, there has been a statement as to grades inserted in the record. I have a copy of it here.

Mr. BROWN. You say there is not much demand for the short staple cotton. Are you getting any short staple cotton for lend-lease?

Mr. RATHELL. I could state it for you in this way. Do you want the Government-owned stocks separately or the Government-owned and loan stocks together?

Mr. BROWN. Well, together would be all right.

Mr. HUTSON. Do I understand your question to be, Do you want the kind of cotton we furnish to lease-lend or the kind we have on hand now?

Mr. BROWN. No. I know what you have now. You just testified to that.

Mr. RATHELL. The kind we furnish lend-lease?

Mr. BROWN. That is right.

Mr. RATHELL. I will be glad to put that in the record.

Mr. HUTSON. It consists for the most part of better quality of cotton.

(The statement is as follows:)



*Statement showing grade and staple of cotton sold under Lend-Lease Act*

## SHIPMENTS TO GREAT BRITAIN

Grade	Staple	Bales shipped	Grade	Staple	Bales shipped
Good Middling	7/8	986	Middling	1 1/32	73,916
Good Middling Spotted	7/8	1,000	Strict Low Middling	1 1/32	51,867
Strict Middling	7/8	40,806	Good Middling	1 1/16	4,014
Middling	7/8	100,828	Strict Middling	1 1/16	36,415
Strict Low Middling	7/8	50,983	Strict Middling Spotted	1 1/16	4,955
Good Middling	2 9/32	4,215	Middling	1 1/16	42,881
Good Middling Spotted	2 9/32	1,324	Middling Spotted	1 1/16	10,000
Strict Middling	2 9/32	15,170	Strict Low Middling	1 1/16	40,002
Middling	2 9/32	81,427	Good Middling	1 3/32	3,794
Strict Low Middling	2 9/32	9,997	Strict Middling	1 3/32	18,343
Good Middling	1 1/16	2,200	Middling	1 3/32	19,037
Good Middling Spotted	1 1/16	3,291	Strict Low Middling	1 3/32	20,002
Strict Middling	1 1/16	15,255	Good Middling	1 5/8	764
Middling	1 1/16	84,179	Strict Middling	1 5/8	3,522
Strict Low Middling	1 1/16	89,125	Middling	1 5/8	5,019
Good Middling	3 3/32	4,400	Strict Low Middling	1 5/8	9,364
Good Middling Spotted	3 3/32	557	Good Middling	1 3/32	23
Strict Middling	3 3/32	25,733	Strict Middling	1 3/32	331
Strict Middling Spotted	3 3/32	5,935	Middling	1 3/32	1,740
Middling	3 3/32	117,457	Strict Low Middling	1 3/32	2,354
Strict Low Middling	3 3/32	54,968	Strict Middling	1 1/16	99
Good Middling	1	4,140	Middling	1 1/16	724
Good Middling Spotted	1	1,336	Strict Low Middling	1 1/16	901
Strict Middling	1	36,188	Strict Middling Spotted	1 1/16	15,827
Strict Middling Spotted	1	2,601	Middling Spotted	1 1/16	18,796
Middling	1	105,345	Middling Spotted	3 1/32	7,455
Strict Low Middling	1	127,927	Middling Spotted	1	1,590
Good Middling	1 1/32	5,424	Strict Low Middling	2 9/32	5,000
Good Middling Spotted	1 1/32	1,438			
Strict Middling	1 1/32	45,973	Total shipped		1,444,043
Strict Middling Spotted	1 1/32	4,500			

## LEND-LEASE SHIPMENTS TO AUSTRALIA

Grade	Staple	Bales shipped	Grade	Staple	Bales shipped
Middling	7/8	1,580	Middling	1 1/32	4,250
Strict Middling	1 5/16	550	Good Middling	1 1/16	610
Strict Middling Spotted	1 5/16	1,170	Good Middling Spotted	1 1/16	1,300
Strict Middling	3 3/32	3,500	Strict Middling	1 1/16	694
Strict Middling Spotted	3 1/32	5,300	Strict Middling Spotted	1 1/16	1,460
Good Middling	1	190	Middling	1 1/16	756
Strict Middling	1	7,200	Middling Spotted	1 1/16	1,600
Strict Middling Spotted	1	13,100			
Middling	1	2,190	Total shipped		47,450
Strict Middling	1 1/32	2,000			

Mr. BROWN. In other words, you have little demand for certain staples of cotton that you have?

Mr. HUTSON. Well, when mills are pressed for delivery of goods they use the best cotton; they tend to use a little better grade of cotton than they would normally use because the outturn is a little bit greater if they tend to step up the quality of cotton they use. I think that is partly responsible for the accumulation of lower grade stock.

Mr. BROWN. In my district in Georgia, the Piedmont section, practically all of our cotton is 1 5/16 to 1 inch. We have demand for it all the time. The mills want it.

Mr. MONRONEY. Isn't it a fact, Mr. Hutson, on lease-lend they would require the better grade because of the precious shipping space

we have and we can hardly afford at this time to send inferior grades overseas?

Mr. HUTSON. That is one factor. Another factor is that the military goods require the better qualities of cotton as contrasted with a lot of civilian goods and a larger proportion of the cotton is going for military uses than formerly went for such uses.

Mr. MONRONEY. Lease-lend cotton went into export as raw cotton?

Mr. RATHELL. Yes, that was raw cotton.

Mr. BROWN. Now, how much cotton are the Allies getting from other countries in the war effort?

Mr. RATHELL. I do not have those figures. I believe that their imports from Brazil are very much reduced.

Mr. BROWN. Very much reduced?

Mr. RATHELL. Yes.

Mr. BROWN. Well, that is a rather healthy sign.

Mr. RATHELL. They are not taking as much Brazilian cotton as normally. But I do not have the figures.

Mr. HUTSON. A day or two ago two questions were submitted. I will refer very briefly to this because different angles of them have come up from time to time.

Question 1: This was submitted by Mr. Wright, I believe.

If there were no subsidies and no increase in the ultimate cost to the consumer what would be the interference with production?

I think this is quite pertinent to this whole thing we are talking about. I thought at the time it was a very good question.

The principle commodities affected would be soybeans, peanuts, canning crops, dry beans, sugar beets, cheese, fluid milk in certain markets, feed wheat, corn shipped into deficit areas.

The general effect of the elimination of subsidies or loss-sale operations of such commodities would be a reduction in the price of these commodities and a general reduction in production of these commodities with a shift toward greater production of wheat, feed grains, cotton, and other crops involving less production hazards and in general lower labor output.

In the case of soybeans, the support price would be reduced from \$1.80 to between \$1.50 and \$1.60 per bushel. The result in the reduction in the price of soybeans probably would be a shift from soybeans to corn and other feed grains, sharply increased feeding of soybeans on the farm and a drastic reduction in the quantity of soybean oil and soybean oil meal available for use in war needs.

In the case of peanuts it would be necessary to again have a two-price system with the support price for excess peanuts being reduced to about \$80 per ton as compared with an average price of \$138 per ton which is being supported for all peanuts under the 1943 program. The result of such decrease of price would probably be a shift of production to cotton, feed crops, and practical elimination of the use of peanuts in the production of oil and oil meal which are urgently needed in the war effort.

Mr. WOLCOTT. Mr. Hutson, wouldn't you offset that by regulating the price of those other products?

Mr. HUTSON. There is another question that follows this.

We could not do it. The Office of Price Administration could, but the authority does not exist in the War Food Administration.

Mr. WOLCOTT. Then that answer you gave there was predicated on the assumption that the Office of Price Administration would not raise the ceiling sufficiently or in the exact amount you would subsidize it?

Mr. HUTSON. The question that was put to me was this: If there were no subsidies and no increase in the ultimate cost to the consumer, what would be the interference with production? That was the way the question was put to me.

Mr. WOLCOTT. Of course, that would not be true then. What you said there would not be true if they increased prices of the commodity to the consumer to guarantee to the producer or the processor the same amount that he would receive by your subsidy, would it?

Miss SUMNER. May I ask one question which I assume is pertinent at this point? I notice all the products you mention as being affected by this subsidy except peanuts are raised in the midwestern area. In Illinois alone now a newspaper carried a statement that one million and two hundred and some thousand acres were under water due to our recent floods, which have not yet abated. Are your estimates and is your testimony in this as previously given in any respect affected by that flood condition? It means apparently that our whole situation out there is going to be changed with respect to all these commodities you have mentioned here except peanuts, and I wonder if you have taken that in account in giving your testimony.

Mr. HUTSON. We have taken it into account. Unless farmers begin to plow early they may without any regard to price shift some from corn to soybeans because soybeans will mature planted later than corn. And many farmers in the northern part of the Corn Belt are today, with the delay in plowing that they have had, concerned as to whether or not corn will mature planted, as they think, in the early part of June, and many of those people are thinking of the possibility of some increase in soybeans. And so it may be that we have not given quite enough weight to the effect of the flood and the shift from corn to soybeans. Other than that, I believe it would be substantially true regardless of the flood.

Miss SUMNER. But we will need production increases in that kind of crop, won't we? I mean there is a question of seed. Isn't the soybean seed very difficult to get now? That is what my reports show. They may be only local.

Mr. HUTSON. Some supplies of soybeans are still available for seed. I do not think generally there is a shortage. We kept out a substantial reserve supply of soybeans for seed.

Miss SUMNER. So that you will be able to take care of that situation?

Mr. HUTSON. We will be able to take care of it. We could have a demand big enough that would use up our supply, but it appears at the present time we will be able to take care of the demand.

Miss SUMNER. Previous to this time we have had some difficulty in obtaining seed. We have sometimes been forced to replant corn as late as the 1st of July because the first seed planted did not come up. At that time a few farmers had a great deal of difficulty getting corn seed. Do you know anything about that condition?

Mr. HUTSON. I have not heard any complaint on seed corn myself this year. We have a small reserve supply of certain hybrid stocks of seed for an emergency situation.



Miss SUMNER. Enough to take care, you think, a flood situation?

Mr. HUTSON. There would be enough of the parent stock, not enough to take care of the seed requirement for the first year, we would not have enough in our supply, of the reserve supply, to take care of the hybrid varieties.

Miss SUMNER. I am talking about seed.

Mr. HUTSON. Seed.

Miss SUMNER. Yes.

Mr. HUTSON. We would not have enough to take care of that demand for seed, but we would have enough, if any of the particular hybrid varieties were wiped out, we have the parent stock and we would have it the first year following.

Miss SUMNER. Thank you.

Mr. BROWN. Mr. Hutson, isn't it true the farmers have sold a very much larger percentage of their stock than heretofore? I notice the loans are reduced considerably.

Mr. HUTSON. The quantity that went under loan last year was about 3,000,000 bales out of a total of about 12,000,000 bales, about one-fourth of the crop. The previous year about 20 percent of the crop went under loan. There is not a great difference in the past 2 years. But more cotton was sold during the past 2 years than during the years prior.

Mr. BROWN. That is what I am trying to get at.

Mr. HUTSON. Yes.

Mr. BROWN. Now, the cotton farmer generally, who does not sell, stores it with your Corporation. Do they have very much stored on the farms and the small warehouses that is not under loan?

Mr. HUTSON. In the early part of the season there has been more and more lending on the part of the banks to farmers without any reference to the Commodity Credit loan.

Mr. BROWN. I see.

Mr. HUTSON. The reason for that is that we have had a relatively long loan period for cotton and in some cases the farmer will borrow from the bank for some 2 or 3 months and then if the market does not move it he will take out a Commodity Credit loan. In many cases when there have been some advances in the market a lot of that cotton has moved right into the market without coming to us at all. That is part of the developments in the area which I think, on the whole, is a healthy development.

Mr. BROWN. The farmers have sold enough cotton to supply the needs of the mills of this country, haven't they, for the last couple of years?

Mr. HUTSON. Well, farmers plus 1,100,000 bales that we sold last year have kept the mills going. In 1941 the crop was slightly less than what was used that year.

Mr. BROWN. I would like you to place in the record at this point, the increased amount of bales of cotton the mills have used in the last 2 years over and above the years before. My understanding is that the mills consumed a much larger percentage this last year than they have in previous years.

Mr. HUTSON. Well, the mills in recent months have been using nearly a million bales a month, which is a record figure. Before the



war they were using from five hundred to seven hundred thousand bales a month. Occasionally it would get up to 800,000 bales a month. So consumption on the part of domestic mills has almost been enough to offset losses in exports but not quite; it is some million or two million bales short.

Mr. SPENCE. What was the yield of cotton last year, 15,000,000 bales?

Mr. RATHIELL. 12,600,000.

Mr. HUTSON. That was roughly equal to the quantity that will be used by the mills of this country and exported, including lend-lease shipments.

Mr. BROWN. You say we produced 12,600,000 bales of cotton last year. The lease-lend program and the cotton mills will consume more than 12,600,000 bales.

Mr. HUTSON. Well, in the current year the movement under lend-lease and the export movement have both been lighter than in the previous year. These shipments were running heavier the year before than they have been in recent months.

Mr. MONRONEY. You are going to develop that on the canned crop as you did on peanuts and soybeans?

Mr. HUTSON. In the case of canning crops, price supports would be reduced from about 25 percent. That is, the price of canning crops would be reduced down to the 1942 price levels. Even with the increases that have been made in 1943 in the support prices for canning crops acreage has been substantially reduced in some areas and for the country as a whole has been barely maintained at the 1942 level. Cutting support prices back to the 1942 level, together with the labor costs and hazards involved in the production of canning crops would mean the wiping out of the canning crop industry in some areas and a drastic reduction in acreage for the United States as a whole.

In the case of dry field beans, support prices would be reduced from 10 to 15 percent. With the increase in support prices in 1943 acreage has been increased about 16 percent. This gain in acreage probably would be lost if the support price were cut back to the present ceiling price level. Actually I think it would probably be a little lower than that. That is, it would be actually below 1942 level.

In the case of sugar beets, support prices would be reduced about 15 percent. Even with the increase of 15 percent in sugar-beet prices for 1943, acreage has fallen to about 70 percent of the 1942 acreage. Elimination of this increase in support prices would obviously result in even greater reduction in acreage.

The price for cheese, that is, cheddar cheese, would be reduced from 27 cents per pound to 23¼ cents per pound. Even with the price of 27 cents per pound for cheese, production has fallen sharply below the record levels attained in 1942 and if the prices to growers were cut back to the 23¼-cent level, cheese production would be drastically reduced and a large part of the skim milk now being used in cheese production would be used as livestock feed.

The elimination of all subsidies would mean the termination of the feed wheat program. Under this program, 225,000,000 bushels of surplus wheat are being diverted to livestock feed, during the current year. This wheat has been of very great value in supplementing feed grain supplies and maintaining the expanded livestock production program which has been brought about as a war measure. Elimina-

tion of feed wheat program would necessitate a corresponding curtailment in the livestock production program.

I want to repeat something that I have said before in connection with the question of these purchases and resale or subsidy operations that have been undertaken by the Commodity Credit Corporation. They have been undertaken only when it appeared that it was necessary that action of this kind be taken or else we would have a drastic reduction in production in the particular area in which we were engaged. They have all been undertaken as a part of an increased production program.

The second question that was submitted had to do with another angle of this. It was: What would be the increase in the cost of living index if there were no subsidies and if the cost were passed on to the ultimate consumer?

Referring specifically to the operations in which Commodity Credit Corporation is engaged, which as I have indicated have to do with a program for increasing production, and without any reference to the recent programs that have been announced to be undertaken by the Reconstruction Finance Corporation I think you would find that these programs have had, under the assumption stated, the following effects. They have resulted in about a 2.5 percent lower index in the cost of food. Food represents about 40 percent of the total cost of living index and that would be about 1 percent. But that is only answering the question technically. To the extent that the programs did result in increased production, and in all cases they were undertaken for the express purpose of bringing about increased production, and to the extent that they did result in increased production they resulted in a greater reduction in the prices than these figures would indicate.

Mr. KEAN. I don't see that, because if the Office of Price Administration raised the ceiling by the same amount it would result in the same amount of increased production, wouldn't it?

Mr. HUTSON. Maybe I have lost the implication of Mr. Wright's original question. The question was, What would be the increase in the cost of living if there were no subsidies and if the costs were passed on to the ultimate consumer? Answering technically it would be about 1 percent. I still go back though and say if, as was true, these subsidies and purchases and resale operations resulted in an increase in production you might in some cases have had prices that would have not been at the ceiling price. That is the point I am trying to make.

Mr. MONROE. In other words, what he is trying to say, Mr. Kean, if we had an abundance of a certain product which was stimulated by these support prices then it doesn't always follow those will sell against the ceiling, that they will be below the ceiling, because they have brought in production 20 or 30 percent more cheese, or potatoes, or beans, or whatever it may be.

Mr. HUTSON. I would like to, while I am on this, to differentiate, if I can, between operations undertaken for the purpose of getting increased production as contrasted with operations that might be undertaken purely for the purpose of protecting prices. I think that there is a substantial difference in that. I think Mr. Davis tried to make that clear when he was here in asking that you not draw a hard and fast line with respect to the use of a terminology. I do not know if you had not undertaken these operations with respect to soybeans or peanuts or these various other commodities that we have, how much

worse shape we would have been in with respect to the total supplies of agricultural commodities. But I am convinced that we would have been in much worse shape than we are.

Mr. KEAN. That is all based on the fact the Office of Price Administration did not change the ceiling.

Mr. HUTSON. That is correct.

Miss SUMNER. Has the O. P. A. got a ceiling on soybeans?

Mr. HUTSON. There is at the present time a ceiling of \$1.66 a bushel on soybeans. That is in connection with the marketing of beans from the farm and in an attempt to encourage farmers to move the beans now rather than hold them. The effective ceiling is on oil there.

Mr. KEAN. I gather, Mr. Hutson, that while you are saying your program is justified you are not in any way claiming that the general program of the Reconstruction Finance Corporation is justified?

Mr. HUTSON. I feel I have quite enough to defend myself.

Mr. WOLCOTT. Do you enter into this roll-back program?

Mr. HUTSON. I beg your pardon?

Mr. WOLCOTT. Does the Commodity Credit Corporation enter into or does it expect to enter into this roll-back program?

Mr. HUTSON. We have no plans in that connection.

Mr. MONRONEY. Your operations are on the production line.

Mr. HUTSON. These operations are in connection with getting increased production.

Mr. MONRONEY. Can you give us any estimate of the relative costs of subsidizing the production line such as you have been doing and what those costs would be translated in terms of the retail-cost-of-living figures? In other words, if it cost some like \$500,000,000 to do just what you are proposing to do at the production line what would that cost to the consumer and what saving would that amount to for the ultimate consumer?

Mr. HUTSON. Well, some of the men have made some estimates on it. I am not entirely satisfied with their estimates. They have estimated that a dollar spent in the kind of operations that we were engaged in would result in about twice that much saving, or \$1 would result in about \$2 of saving in consumer cost. I am not familiar with all of the reasoning back of that. I will be glad to submit a statement on it if you care to have it.

Mr. FOLGER. I would say three times that.

Mr. HUTSON. Maybe our people are conservative.

Mr. WOLCOTT. That is the closest reason I have ever seen for subsidies yet. I have never seen any figures on that. It does not seem to me you are saving the consuming public anything by taking the money out of the Treasury and increasing the taxes because the consuming public has to raise that much money, anyway, and if you have to raise the money by taxation and cannot raise the money and you have to issue bonds to get the money to subsidize, that would make your carrying charges on that money inside of the next 100 years ultimately four times the original amount the public would have to pay.

Mr. MONRONEY. The difference there, though, is that with the subsidy you don't cycle your increase. In other words, if you subsidize, you do not support the demand, and I am not trying to defend subsidies, but you do not support the demand on the other side of an increase in wages by the workingman, which is again reflected back in the cost of production.



Mr. WOLCOTT. When you raise taxes you do.

Mr. MONRONEY. What?

Mr. WOLCOTT. You do when you raise the taxes. You talk with labor right today. They demand an increase in wages and it is predicated upon the fact that they have to pay so much out of their income for taxes and that actually their wages are much less than they are getting, and we all have the experience in that respect. So they are asking for and demanding an increase in wages to help pay their taxes.

Mr. MONRONEY. Then you should pass the Ruml plan.

Mr. WOLCOTT. When you get down to the wage earners with respect to the Ruml plan there is an old saying in the criminal law that it is not the punishment which deters the criminal but the certainty of the punishment that deters crime. The reason why C. I. O. and many labor organizations were against the Ruml plan was because they assumed there was the certainty that they would have had to pay taxes. It was estimated we would collect in that manner two or three billion dollars more than we would otherwise. Of course, that is de hors the subject matter.

Miss SUMNER. When you pay these subsidies to the various producers mentioned in your written statement when do they get the money? How much longer do they have to wait after hearing the announcement?

Mr. HUTSON. Well, they generally get the money at exactly the same time and in the same way that they would have gotten it if the market had been at that level—that is, the contract is entered into with a processor or elevator man in which he buys at our support price. At the end of the month a statement is submitted to us and it generally takes 10 to 15 days to settle with this person, who is the first step removed from the farmer, but there is very little delay on the part of the farmer.

Miss SUMNER. I must not understand this operation then with respect to soybeans. Do I understand you to say in order to get this increased production you buy soybeans?

Mr. HUTSON. In some cases, but most of the soybeans were purchased by processors or elevators and were not sold directly to us. These people were under contract with us and were purchasing for our account. They purchase and settle with the farmer in the usual way.

Miss SUMNER. You guarantee the subsidy before the planting, do you not?

Mr. HUTSON. That is correct.

Miss SUMNER. When does he get the subsidy, when he sells?

Mr. HUTSON. When he sells the beans.

Miss SUMNER. In other words, he gets the subsidy at the same time that he would get the price if there were no subsidy is that correct?

Mr. HUTSON. Yes; he does not differentiate between the price and subsidy. The subsidy comes about in this way. We guarantee the farmer \$1.60 for his beans. On the average the country over beans brought only \$1.48 a bushel. The farmer got \$1.60, that is, for No. 2 beans. We sold those beans to the processor at \$1.48 a bushel and absorbed a 12-cent loss. It varied depending on the freight and all that sort of thing. In some cases there was no loss; in some cases it was more than 12 cents.



Miss SUMNER. In the case of canning factories you propose to subsidize the whole pack this year?

Mr. HUTSON. If the price ceilings are not advanced.

Miss SUMNER. Oh, there is a proviso to that effect in the contract?

Mr. HUTSON. Yes.

Miss SUMNER. Oh, I never heard of that.

Mr. HUTSON. That is in the contract.

Miss SUMNER. In the event the price ceiling is not raised you are required to pay the subsidy?

Mr. HUTSON. That is correct.

Miss SUMNER. When will that be paid?

Mr. HUTSON. It will be paid at the time the canner settles with the farmer for the tomatoes or beans, as the case may be, and he in turn will bill the Commodity Credit Corporation for the difference in the 1942 price and the amount he was required to pay the grower in 1943.

Miss SUMNER. Thank you.

Mr. WOLCOTT. I figured here on the basis of \$500,000,000 for the subsidy the per capita amount is \$3.80 which the consumer would have to pay either in additional taxes or additional prices.

Miss SUMNER. What did you do, divide the amount by 132,000,000?

Mr. WOLCOTT. It will be a little less than that because I used 130,000,000 instead of 132,000,000.

Mr. MONRONEY. Doesn't it come down to this, either we must repeal the Steagall amendment and break our word with the farmer on these support prices or we must order the O. P. A. to raise the ceilings and suffer the repercussions all along the line of prices and suffer a decrease and decline in farm production?

Mr. HUTSON. I think that is accurately stated.

Mr. WOLCOTT. At what point do you assure the price under the Steagall amendment? What is the floor?

Mr. HUTSON. When the Secretary of Agriculture proclaims that an increase in production is necessary he is directed under the Steagall amendment to support prices at not less than 90 percent.

Mr. WOLCOTT. That is 85 percent.

Mr. HUTSON. I beg your pardon.

Mr. WOLCOTT. That is 85 percent.

Mr. HUTSON. Which was later changed to 90 percent.

Mr. WOLCOTT. All right. Now, what crops wherein he asks for increased production are now under parity to the extent the Steagall amendment would apply and you would have to use Commodity Credit Corporation moneys to maintain their quota?

Mr. HUTSON. At the present time I do not see any of these crops that are in this group.

Mr. WOLCOTT. They are all over 90 percent of parity.

Mr. MONRONEY. The amendment was "not less than 90 percent." It was not "not more than," it was "not less than."

Mr. WOLCOTT. It said they would not go down below 90 percent.

Mr. MONRONEY. Yes; that is the floor.

Mr. WOLCOTT. That they should not go down below 90 percent.

Mr. MONRONEY. No; the loan should be not less than 90 percent. Under the Steagall amendment they could put it at 200 percent of parity?

Mr. WOLCOTT. What?

Mr. MONRONEY. That's right.

Miss SUMNER. What? Did you get that, Mr. Chairman?

The CHAIRMAN. I think they are correct about that. All we had in mind was to support those prices and to sustain prices from going below 90 percent of parity.

Miss SUMNER. Yes.

Mr. KEAN. You do not think they care what we intended.

Mr. MONRONEY. That is what the law said, not less than 90 percent of parity. We should have put a ceiling on it.

Mr. WOLCOTT. You put a ceiling on by the Office of Price Administration.

The CHAIRMAN. The O. P. A. Act does not put a ceiling on it. It simply limits the ceiling that may be placed by the O. P. A. and it was never intended, I don't suppose, any other way.

Mr. WOLCOTT (reading):

Whenever during the existing emergency the Secretary of Agriculture finds it necessary to encourage the expansion of production of any nonbasic agricultural commodity he shall make public announcement thereof and he shall so use the funds made available under section 3 of this act or otherwise made available to him for disposal of agricultural commodities through a commodity loan, purchase or other operation taking into account the total sums available for such purpose for all commodities so as to support a price to the producers of such commodities with respect to which such announcement was made of not less than 85 percent of parity (that has been increased to 90 percent).

For the purposes of this section commodities other than cotton, corn, wheat, tobacco, and rice shall be deemed to be nonbasic commodities.

So you are making these loans to producers so as to support the price to the producers.

Mr. MONRONEY. That is a minimum price.

Mr. WOLCOTT. That is to support a price.

Mr. MONRONEY. At a minimum price of not less than 90 percent of parity so they can go up to 200 percent of parity if they want to under the law.

Mr. WOLCOTT. This is the floor put under there. This would not invalidate the Steagall amendment.

Mr. MONRONEY. That is the Steagall amendment.

Mr. WOLCOTT. Under the O. P. A. Act they have authority to subsidize to assure adequate production.

Mr. MONRONEY. That is in critical materials.

Mr. WOLCOTT. No. I thought it was but in reading the act an hour or so ago I found it did not say that. That is what we intended, to cover strategic materials, and at the conference that we had that is all we talked about. But apparently we did not do what we intended to do at that time. So in reading the two together, the Steagall amendment and subdivision E of section 2 of the Price Control Act you will put a floor of 90 percent under these products, which we did in the O. P. A. Act anyway, and a ceiling not under parity or as much over parity as the O. P. A. saw fit to put. I suppose that, theoretically speaking, they could go out and subsidize, if it was necessary to assure adequate production, a price of 200 percent of parity. Of course, it could not be sold on the market if the O. P. A. set a parity price on it or the maximum price. But I don't think we intended to do anything of that nature. We put a floor under the O. P. A. price and we let them or gave them authority to increase for that purpose, the same purpose as the Steagall amendment anticipated.

The CHAIRMAN. We gave them a direction to lift their ceiling for this purpose.

Mr. WOLCOTT. Yes.

The CHAIRMAN. But there has never been any required that they fix the ceiling at parity or any other price. As a matter of fact, they permitted a number of commodities to go considerably above parity.

Mr. WOLCOTT. When the Little Steel formula was adopted in the first place it was adopted because the O. P. A. had let ceilings of certain agricultural commodities get up to 156 percent of parity and they turned around and used their own mistakes as a reason why they should adopt the Little Steel formula and the act expressly says they can put a ceiling on any agricultural commodity at any time in accordance with the three formulas which we set, at 110 percent of parity, or the highest price, or the Brown amendment, whatever it might be. But we will say for the purpose of this statement it was 110 percent of parity. Well, they did not stop at 110 percent. They let some go up to 156 percent. Labor was perfectly justified because of the error at that time made by the O. P. A. to come in and demand an increase of wages to offset that. You cannot blame labor for doing it. If this whole thing had been administered as we intended it to be administered, if it had been administered as we were assured it would be administered, we would not have all this chaos in the O. P. A. and labor. The whole thing would be stabilized. We cannot administer these laws. All we can do is to lay out the policy and set up the standards. I do not think the Congress should be called upon to devote as much time as we have devoted in this last year in checking or checkmating the executive branches of Government in its endeavors to find ways and means of circumventing the governing power of Congress. We have gotten into this situation right here. The whole thing has gotten so complex and so confusing there is not a Member of Congress who is not devoting a tenth of his time to the war effort. Ninety percent of the time of the Members of Congress is devoted to checking with the administration as to attempts to circumventing the intent of Congress in respect to these acts. We are the center of four converging influences with respect to subsidies. We have to make up our minds whether we are going to deal with them all or with just one, or let the administration through circumvention defy us in our clear legislative intent.

We have got the Commodity Credit Corporation which assumes the right to subsidize. We have the Office of Price Administration which assumes the right to subsidize. We have the Lend-Lease Administration, which assumes the right to subsidize. And we have the Reconstruction Finance Corporation, which assumes the right to subsidize. And we have given the President authority to transfer 10 percent of any funds to any other purpose. So if we did nothing in this act whatsoever but extend the life of this Corporation, if it had not been for the amendment adopted the other day, the President can transfer from the lend-lease the billion dollars that he wants here. He can set up a program under the Reconstruction Finance Corporation if we do not pass this to do just what we tell him he cannot do. He can set up a program under any one of these four agencies and negative the clear intent expressed in any of the other three. To do the job here you have to do it with respect to all four or none at all. I think



it is up to us to decide before we do anything whether we want, as a matter of policy, subsidies. And if we decide we do not want subsidies then we have to write a prohibition against the use of this money for subsidies and to give them the money if we are convinced that this addition is necessary. And if we do not want subsidies we have also got to give notice to the Reconstruction Finance Corporation when they come before us with their bill, and we have got to write a prohibitive provision in that too. We have already got a prohibition on the use of money being made available under lend-lease. And when the O. P. A. comes before the Appropriations Committee the Appropriations Committee has got to write a similar prohibition against the use of O. P. A. money for subsidies. You have a four-pronged fork here and if you want to do the job effectively, if we decide as a matter of policy we do not want subsidies you have got to break all the prongs of that fork or run the chance of the Administration circumventing the intent of Congress.

Mr. MONRONEY. Don't you think in the first place we have to decide whether you want inflation?

Mr. WOLCOTT. No. Don't becloud this issue with the question of inflation. Don't tell me there is anything more inflationary in raising the price of a can of corn a half a cent or a cent to the ultimate consumer than it is to raise that cent from the Treasury to pay it or the Commodity Credit Corporation to pay it. It all comes out of the same pocket, out of the taxpayers' pocket, with this addition, where you subsidize you are going to pay 4 cents on every dollar to subsidize until the national debt is retired and you are going to put these bonds you have to sell to subsidize into commercial banks which are going to use them as a basis for further expansion of the currency, and there is your inflation. It does not check inflation.

Mr. MONRONEY. But when you let the prices go up over the ceiling you will certainly have inflation.

Mr. WOLCOTT. There is no reason in God's heaven why the O. P. A. should let the ceiling be taken off completely merely to absorb a quarter of a cent on a can of corn.

Mr. MONRONEY. But you squeeze that quarter of a cent out of the ultimate consumer.

Mr. WOLCOTT. You squeeze it out of the ultimate consumer just the same if you take it out of his pocket by taxation.

Mr. MONRONEY. You don't think they will raise it a quarter of a cent on a can of corn. You know they will raise it at least a cent and probably it will be 5 cents.

Miss SUMNER. Why should it?

Mr. MONRONEY. You are not going to pay 10¼ cents for a can of corn.

Mr. WOLCOTT. Well, that is exaggerating the matter.

Mr. MONRONEY. That is the point. When you allow things to magnify you get many more complications than it basically calls for.

Mr. WOLCOTT. That quarter of a cent is not going to make or break the processor or retailer. That can be absorbed by the present channel, the same as it has been during the last few years, if you had an adequate differential between what you pay the producers and the processor.

Mr. MONRONEY. He is already absorbing a lot of costs and is probably strained to the very limit now. So if anything, this comes out of capital investment.



Mr. WOLCOTT. All right. Let them raise the price of corn to the farmer a certain number of cents a bushel until it equals a quarter of a cent a can or to the processor. That can be absorbed very easily without any detriment to anybody.

Miss SUMNER. Also, it seems to me, you have to look at it, if you do approve subsidies whether or not it is a good policy for four people to be doing it. I think we have found time and again if we are going to have a function around here it is better to have one person or one agency and let them be responsible. In other words, if we are going to have the Office of Price Administration do subsidies, they ought to be doing all the subsidies.

Mr. WOLCOTT. We have several things. We did not like the management of the Strauss organization, the U. S. H. A., and we thought we liquidated the Strauss organization, because, frankly, the Strauss organization came up here and admitted they had circumvented the intention of this committee by, you will recall, selling the bonds to the local housing authorities, to themselves, buying them, and then adding the annual contributions enough to pay for those bonds, when we said the local housing authorities should raise 10 percent of the money. We knocked out the United States Housing Administration purely because we had lost faith in the U. S. H. A. Now we find the U. S. H. A. organization has taken over all home construction in the United States. They are the head, today, of the Federal Housing Administration.

Mr. KEAN. And Mr. Keyserling got a 6-month deferment for being essential.

Mr. WOLCOTT. I dare say that with every Member of Congress 90 percent of his time is spent in checking on this sort of thing.

The CHAIRMAN. The committee will meet at 10:30 tomorrow morning.

(Whereupon the committee adjourned to meet on Thursday, May 27, 1943, at 10:30 a. m.)

Mr. HUTSON. I should like to submit the complete statement which I have been reading to the committee, and a short statement that was worked out by some of the people in the Department and in the General Accounting Office with respect to the accounting phases of the bill, covering certain relationships between Commodity Credit Corporation and the General Accounting Office.

(The statements are as follows:)

STATEMENT BY J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION, BEFORE  
THE COMMITTEE ON BANKING AND CURRENCY

I shall discuss some of the more important activities of the Corporation which have been undertaken in recent years. It has been generally recognized that in protecting the prices of farm commodities some losses would be incurred by the Commodity Credit Corporation. Provision has been made by Congress for an annual appraisal to determine the amount of these losses. Some now call such losses subsidies. Until recently the net income from governmental operations was called profits and the net outgo was called losses. Payments made by governmental agencies were sometimes called subsidies by those who did not approve of them, and industries protected by tariff barriers often were said to be subsidized.

During the 8-year period from 1933 to 1941 Commodity Credit loans and purchases amounted to about 2 billion dollars with realized and appraised losses of about 172 million dollars. During the past 2 years loans and purchases have amounted to about 4 billion dollars with losses of less than 25 million dollars. I do not believe that the losses in relation to volume will be as great during

the coming year as during the first 8 years of the life of the Corporation—no suggestion was made that such losses constituted "subsidies." As a matter of fact they have been less during the past 2 years.

There are some who would call any releases of commodities at less than loan values plus carrying charges and any sales at less than purchase or acquisition prices subsidy operations. I do not object to this terminology so long as all of us understand it and are consistent in its use. However, if we accept it we should understand that practically all operations undertaken by Commodity Credit Corporation potentially qualify as subsidy operations, since whenever prices are supported above the market, whether through loans or otherwise, losses may be incurred. There has been no recent change in policy. Recent operations are in line with the early operations.

*1934-1935 cotton.*—In 1936, when the Corporation permitted cotton producers, upon payment of an amount smaller than that owing on loans to redeem 1934 and 1935 cotton held under loan, approximately 2,740,000 bales of cotton of the 1934-35 cotton were released, which resulted in losses of approximately \$14,000,000.

*Early corn operations.*—In the fall of 1938 the Corporation undertook a similar release program with respect to corn, under which producers were allowed to redeem 1937 loan corn upon payment of less than the amount due on the loans. Approximately 8,000,000 bushels of such corn were released with a loss of approximately \$1,000,000.

*1939 wheat.*—In the spring of 1939 similar action was taken with respect to 1938 loan wheat. Approximately 50,000,000 bushels of such wheat were released to producers, with a loss of approximately \$1,000,000.

*1937-1938 corn.*—Beginning July 1940, the Corporation released 1937 and 1938 loan corn to producers, upon payment of amounts smaller than the amounts due on loans. At the same time we also authorized extension of loans on farm-stored 1937-38 corn below the amounts originally owed on such loans. Approximately 225,000,000 bushels of corn were released or resealed at a cost of approximately \$8,500,000.

At the time that these operations with respect to cotton, wheat, and corn were carried out they appeared to be in the public interest, and the best way to meet the problems. In the minds of some people such operations would be considered subsidies.

*Legislation relating to cotton.*—By section 381 (c) of the Agricultural Adjustment Act of 1938, as amended, Congress prohibited the Commodity Credit Corporation from selling any of its stocks of cotton unless the proceeds of such sale were at least sufficient to reimburse the United States for all amounts (including any price-adjustment payments) paid out by any of its agencies with respect to the cotton so sold. In addition, section 381 (c) limited sales of cotton by the Corporation to not more than 300,000 bales in any calendar month or more than 1,500,000 bales in any calendar year. In so prohibiting the sale of cotton below cost, Congress appears to have recognized the right of the Corporation, in the absence of statutory limitation, to sell commodities without reference to their cost.

Well-informed people differ as to the merits of this legislation with respect to cotton. Probably book losses are less than they would have been without the limitation. Yet stocks have accumulated and much of these stocks consist of the less desirable qualities of cotton. In the end losses may be greater than they would have been if we could have sold more of the less desirable grades without price or quantity limitations.

But regardless of the merits of the legislation I do not believe that anyone would propose seriously similar restrictions with respect to other commodities. Cotton can be stored for a longer period of time than most other farm commodities. Stocks of some grain crops would accumulate until other grains were used up. The net effect of this would be to unbalance the ration for livestock and reduce the production of livestock products.

*Price supports.*—Congress has from time to time directed that loans be made on cotton, corn, wheat, tobacco, rice, and peanuts at specified levels without regard to whether such levels were above market prices.

In 1941, when Congress extended the life of Commodity Credit Corporation, a provision was included which carried the chairman's name and which is known as the Steagall amendment. This provides that whenever, during the existing emergency, it is found necessary to encourage expansion of production of non-basic agricultural commodities, the funds of the Corporation shall be available

through loan, purchase, or other operations so as to support the price of such commodities at not less than 90 percent of the parity or comparable price. As directed by this act of Congress, price supports have been announced at specified levels for certain nonbasic commodities the expanded production of which has been encouraged.

The commodities for which such price supports have been announced include hogs, eggs, chickens (excluding broilers and chickens weighing less than 3 pounds live weight), and turkeys; butter, cheese, dry skim milk, and evaporated milk; the 1943 crop of specified varieties of dry peas; the 1943 crop of specified varieties of dry edible beans; the 1943 crop of soybeans for oil; peanuts for oil; the 1943 crop of flaxseed for oil; the 1943 crop of potatoes; and the 1943 crop of American-Egyptian cotton. Price supports for additional commodities will be announced from time to time in accordance with war needs. These price assurances are for the purpose of getting an expanded production of these commodities. At the time such price assurances are given for any commodity, the market price which will prevail at the time the commodity is produced cannot, of course, be known. All such price assurances, therefore, involve a potential subsidy.

#### OILSEEDS PROGRAM

Pursuant to the Emergency Price Control Act, the Office of Price Administration has established ceilings on many farm commodities. In a number of cases, the price ceilings were established on the same commodities with respect to which floor or support prices have been established pursuant to the Steagall amendment, and in some instances, the ceiling prices established on products produced from agricultural commodities were such as to bring the prices of the agricultural commodity below the support level. A typical illustration of this is to be found in the case of oilseeds.

Of the group of commodities with respect to which price supports have been announced under the provisions of the Steagall amendment, I should like to discuss as a group the oilseeds commodities.

Immediately after Pearl Harbor, it became evident that imports of fats and oils would be drastically reduced and that lend-lease exports would need to be expanded materially. Before the war, we normally imported from 15 to 20 percent of our supplies and exported very little fats and oils. With the development of the war, we were faced with a reduction of perhaps a billion pounds of imports and an increase of one and one-half billion pounds in exports, or a net change in our import-export position of about two and one-half billion pounds.

In order to encourage production of domestic oilseed crops, we announced before planting time in 1942 that soybean prices would be supported at a level of \$1.60 per bushel to farmers; flaxseed prices would be supported at a level equivalent to an average price of about \$2.20 per bushel to farmers; and prices for peanuts for oil would be supported at an average price of about \$80 per ton to growers. In response to those support prices and other provisions of the war food program, soybean producers increased their production from approximately 16,000,000 bushels in 1941 to nearly 200,000,000 bushels in 1942; flaxseed production was increased from 32,000,000 bushels in 1941 to 41,000,000 bushels in 1942; peanut production was increased from 738,000 tons in 1941 to 1,252,000 tons in 1942.

As a result of ceiling prices placed on oil and oil products and reduced prices for meal, a situation developed where it was impossible for most soybean processors to pay growers the support price and process these soybeans and sell the products without incurring losses. A similar situation prevailed with respect to flaxseed and peanuts, but in these cases the discrepancy between the support levels and the product values was not so great. Also, in the case of cottonseed, the product prices prevailing in 1942 were such as to result in substantially lower prices to growers than had prevailed in 1941, and action was needed by the Government to support the price of cottonseed and give cottonseed producers protection comparable to that afforded the producers of other oilseeds.

In view of this situation, the following programs were developed with respect to oilseeds:

(1) In order to avoid a roll-back in the ceiling prices for crude oils with resultant reduced prices to growers for cottonseed and other oilseeds, agreements were entered into with oil refiners under which they agreed to purchase oil from crushing mills at the current ceiling price, sell this oil to Commodity Credit Corporation at the same price, and then repurchase such oil at a one-half cent per pound lower price. This made it possible for refiners to sell their products on the



basis of the ceiling prices established for such products. Total losses in connection with these purchase and resale operations with respect to oil produced from the 1942 crops of cottonseed, peanuts, and soybeans are expected to total about \$15,000,000.

(2) Agreements were entered into with soybean processors under which they purchased soybeans from farmers or through country elevators at the support price, resold such soybeans to Commodity Credit Corporation at the support price level, and then repurchased the soybeans at lower prices based on the value of the products obtainable from the soybeans less a processing margin which was adjusted to the size of the plant and type of equipment used in the plant. It was necessary to adopt a variable processing margin in order to assure continuous operation of all available plants. It is estimated that under this program possibly 160,000,000 bushels of soybeans will be purchased and resold by Commodity Credit Corporation at an average loss of 12 cents per bushel, or a total of \$12,000,000.

(3) In order to make it possible for flaxseed processors along the Atlantic seaboard, who normally use flaxseed imported from Argentina, to purchase domestic flaxseed at the support level and transport this flaxseed to mills on the east coast, Commodity Credit Corporation agreed to absorb a portion of the freight cost on the domestic flaxseed so handled, for which the required support prices had been paid. The transportation cost absorbed by Commodity Credit Corporation totaled approximately \$200,000.

(4) In the case of cottonseed, agreements were entered into with all cottonseed processors under which they were required to purchase cottonseed at not less than specified prices and to sell their products in accordance with the ceiling prices established by the Office of Price Administration and the minimum and maximum prices specified in the contract. Practically no losses were incurred by Commodity Credit Corporation under those contracts.

(5) Peanuts produced in 1942 were supported at an average price of approximately \$137 per ton for a quantity not in excess of the Agricultural Adjustment Administration marketing quotas and a price of approximately \$89 per ton for peanuts produced in excess of marketing quotas. On the excess peanuts sold for crushing, some losses were incurred but these losses were more than offset by profits on excess peanuts sold for edible purposes and for seed. Consequently, no losses were incurred with respect to 1942 crop peanuts except the loss of  $\frac{1}{2}$  cent per pound on peanut oil under the refiner agreements, and out of the profits made on excess peanuts sold for edible purposes and for seed, producers of excess peanuts are receiving a payment of \$10 per ton, which will bring their returns to an average of about \$90 per ton. Upon completion of the program it may be possible to make a further payment to producers of excess peanuts.

In view of the continued heavy demand for edible oil and for oil meal and the need for still larger crops of oilseeds, 1943 support prices to growers have been increased to \$1.89 per bushel for soybeans; an average price of about \$2.63 per bushel to growers for flaxseed; and average prices of \$140 per ton for Spanish and Virginia type peanuts and \$130 per ton for Runner type peanuts, whether used for oil or edible purposes.

I believe that these operations are in the public interest and in the end will result in a substantial net saving in governmental expenditures.

#### FEED WHEAT PROGRAM

It is important that we obtain the most efficient use of the available supplies of feed if we are to avoid serious shortages of food for military requirements, civilian needs, and for our allies. Our total feed stocks are about the same as they were a year ago. But production of all kinds of livestock has been increased by 10 or 12 percent. In order to make adequate supplies of feed available, it appears necessary that we sell wheat to the livestock producers for feed at prices that encourage livestock production. Under the feed wheat program, about 181 million bushels of wheat have been sold. Congress has specifically stated the conditions, both as to quantity and price, under which these sales are made.

Although the losses on those operations are substantial, I believe that they are in the public interest and in the end will result in a net saving in governmental expenditures.



## GRAIN ALCOHOL PROGRAM

In January 1942 Commodity Credit Corporation in cooperation with the War Production Board, the Office of Price Administration, and the Defense Supplies Corporation inaugurated a program for the sale of Government-owned stocks of corn and wheat to distillers to be used in the production of industrial alcohol.

Under this program, wheat is sold to distillers for making alcohol for use in the production of munitions and synthetic rubber. Wheat is being sold delivered at prices ranging from 80 cents to \$1.05 per bushel.

In this connection, we also have the granular flour program. This flour is ground by flour millers who take out about 40 percent of the grain which is immediately available for feed and the rest of the grain, a coarse meal which we know as granular flour, is shipped to distillers for use in making alcohol. Out of about 59 million bushels of wheat that we have sold for alcohol since July of 1942, nearly 17 million bushels were ground into granular flour. This process has several advantages. Since it is ground by flour millers, by utilizing their idle milling capacity, it is not necessary to allocate scarce materials for grinding equipment for distilleries. This is particularly important since the distilleries that are set up to use molasses would not be able to use either corn or wheat without getting new equipment. This program also aids in conserving shipping space so badly needed under wartime conditions, since only 60 percent of the wheat is shipped to distilleries, rather than 100 percent on the old basis. Some losses are being incurred in connection with these sales, but I believe that these operations are in the public interest and in the end will result in a net saving in governmental expenditures.

## SPECIAL PROGRAMS

From time to time, the Commodity Credit Corporation has been requested to assist in meeting emergency situations and inaugurate special programs. It is our policy to terminate such emergency programs at the earliest practicable date. Some of the special programs are described below.

## PORK PROGRAM

The Corporation has also instituted a program in connection with the processing of hogs on behalf of small packers who were being squeezed by the rising prices of hogs and ceiling prices on hog products. This program has now been discontinued. There was little activity under it, and the total amount of loss approximated \$1,500.

## MILK PROGRAM

The Corporation has also instituted a similar program on milk in New York, Chicago, and Duluth areas, and more recently in the Baltimore, Philadelphia, and Washington areas for the purpose of maintaining milk production. The cost of the milk programs to date has been approximately \$2,500,000.

## CHEESE PROGRAM

In December 1942, to maintain cheese production, the Corporation instituted a program on cheese involving a loss of  $3\frac{3}{4}$  cents per pound. The total cost of this program through April 30 was about \$6,000,000.

## DAIRY ANIMAL CONSERVATION PROGRAM

In the fall of 1942, in some areas of the country, the prices of dairy animals were below beef cattle prices. Consequently, some dairy cattle were being sent to slaughter. A program was worked out in cooperation with the Farm Security Administration under which cattle suitable for dairy production were purchased and prevented from being slaughtered. The purchases were made at beef cattle prices. The dairy cattle in turn were sold at prevailing dairy cattle prices. In all 21,329 head of dairy cattle have been purchased. The estimated loss on these dairy cattle is about \$270,000. Since this project was inaugurated the prices of dairy cattle have advanced and at the present time this project is being reviewed for the purpose of determining the need for its continuance.

## VEGETABLES FOR PROCESSING

A program under which the Commodity Credit Corporation will purchase vegetables at announced support prices and sell them to processors at lower prices was undertaken to stimulate the production and packing of canned and frozen vegetables in 1943. As a result of favorable weather and price conditions a record volume was packed in 1942. With normal growing and harvesting weather, a smaller pack is anticipated in 1943. Recent estimates indicate that nearly 30 percent of the four major canning vegetables will be required for military and lend-lease uses.

To encourage production by farmers, the Department announced on January 28, price support program for vegetables for processing. Because of the increased production costs, growers were assured of prices roughly 25 percent higher than in 1942 for the major vegetables for processing. For tomatoes, the support price for 1943 averaged \$24.25 per ton for the country as a whole, compared with \$19.37 in 1942. Comparative figures for other crops are as follows: Green peas, \$81.50, compared with \$63.93; sweet corn, \$18, compared with \$13.50; snap beans, \$91 compared with \$75.58.

Under the 1943 program, Government agencies will purchase that part of the vegetable pack taken under set-aside orders at prices high enough to reflect the support prices paid growers. For that portion of the pack sold to civilian consumers, the Commodity Credit Corporation will purchase the vegetables at the 1943 season average price.

I believe that these operations were necessary in order to get a moderate acreage of canning vegetables planted in 1943 and in the end will result in a net saving in governmental expenditures.

## FOREIGN PURCHASE ACTIVITIES

From May 1942 to March 31, 1943, cash outlays for foreign purchases totaled \$207,000,000.

But first, let me discuss generally some of the instances leading up to our participation in foreign activities. Commodity Credit Corporation undertook a foreign purchase program—

(1) To increase the supply of strategic agricultural commodities which are essential for the production of war materials;

(2) To supply civilian and military demands for foods; and

(3) To carry out the agreement made at the Pan American Conference at Rio de Janeiro whereby this country pledged to support the economies of such of our neighbors to the south as might be jeopardized by the loss of normal export outlets for their products as a consequence of the war.

Officials of Commodity Credit Corporation collaborate with representatives of the Board of Economic Warfare, War Production Board, and the Department of State in establishing policies regarding the purchase and import of commodities. In some cases it is necessary for the Corporation to absorb a part of the increased cost in ocean freight and insurance; because of war conditions these costs necessarily are higher than normal. In addition it is sometimes necessary to pay a price in foreign countries that involves a loss when the goods are sold under price ceilings in this country.

## COFFEE

The coffee program has two purposes: First, to facilitate the importation of coffee under domestic price ceilings and to assure its equitable distribution; and second, to assist in the stabilization of the economy of Brazil. Brazil has agreed to use her ships for the importation of priority cargo, and thus has been unable to move her normal shipments of coffee to the United States.

In order to facilitate the importation of coffee from abroad, Commodity Credit Corporation absorbs any increases in costs of shipping over the shipping cost that existed on December 6, 1941. In addition, if because of military reasons it becomes necessary to divert ocean steamers to other than normal ports of entry, Commodity Credit Corporation pays 75 percent of the excess rail shipping charges.

The program involves the purchase of a substantial quantity of coffee in Brazil. Our stock pile in that country is expected to reach the total of \$75,000,000 and the loss on this transaction depends on shipping conditions, the storage damage, the world-wide economic situation after the war, and upon any restrictions on the disposal of coffee that may be dictated by international policy.

## SUGAR

As one of its major activities in the foreign field, Commodity Credit Corporation has bought the 1943 Cuban sugar crop and is negotiating for purchases in Puerto Rico, Haiti, and the Dominican Republic. Imported raw sugar is allocated to refiners and sold to them at a price which permits them to operate under existing price ceilings. In addition, the Corporation will buy the 1943 sugar-beet crop at a price which will increase returns to farmers, and will resell the crop to processors at a price which will permit them to refine sugar and dispose of it within the price ceilings. The Corporation may absorb some of the excess freight charges in transporting beet sugar outside of the area in which it is normally sold.

## \* FATS AND OILS PROGRAM

The Foreign Commodities Division of Commodity Credit Corporation has been purchasing fats and oils for the past year, and had completed as of April 30, the purchase of approximately 300,000 long tons and had bought for future shipment another 350,000 long tons of oils or oil-bearing materials. The bulk of these purchases has been made in Brazil and Argentina, but a substantial portion represents purchases from the British and French Governments under memorandum of understanding worked out by the Combined Food Board. Purchases may be designated in two categories.

The first and most important is in the purchase of oils and oil-bearing materials which are vital to the war effort and which are not produced in this country. This category would include castor oil, babassu oil, coconut oil, cashew shell oil, and others. As an example, the castor oil is being used for the manufacture of tung oil substitutes, and as hydraulic fluid for airplanes, as well as for medicinal purposes. Babassu and coconut oils are lauric acid oils finding an increased use in the manufacture of plasticizers, synthetic rubber, and other war uses, in addition to its age-old use as a source of glycerin.

The second category includes edible oils which have been imported to supplement our inadequate fats and oils stocks in this country and for reexport under lend-lease to our allies.

In spite of heavy carrying charges on fats and oils held for stock-pile purposes, it is not expected that this program will show a loss.

The fats and oils program has involved a total expenditure of \$72,082,546, of which \$32,801,473 has been recouped by the resale of our imports, leaving a total net investment of \$39,281,073. Most or all of this remaining sum will be recovered when the products are sold.

## COTTON

The foreign cotton operations of Commodity Credit Corporation are divided into two fields. One, the purchase of cotton needed for military requirements. In this is involved the purchase of Egyptian and Puerto Rican cotton. Two, the purchase of cotton under the "good neighbor" policy and supporting the economy of friendly countries. In this is involved Peruvian, Nicaraguan, and Haitian cotton.

We had paid for 7,112 Egyptian bales through April 30, amounting to \$1,989,000. We have commitments in addition for which payments have not been made for 11,400 bales. This cotton is being purchased to meet requirements specified by the War Production Board to meet our military needs. This cotton will come into the United States under the quota provisions. The present quota provides for approximately 90,000 bales of cotton longer than 1¼ inch.

We have paid for 1,101 bales of Puerto Rican special Sea Island cotton, involving \$340,200. This cotton is used in the manufacture of special fabrics required by the Navy and was secured at its request. We are attempting to increase the production of this cotton in Puerto Rico for the 1943 crop to almost 3,000 bales. This cotton is almost 2 inches in length and cannot be produced in continental United States.

We had purchased 32,000 bales of Peruvian cotton through April 30, involving \$2,706,000. All of this cotton is of the Pima variety and approximately 1½ inches in length. Its character is not quite as good as Egyptian cotton, but it could be used as a substitute in some military fabrics if Egyptian cotton is not obtainable. Under the agreement with Peru, we offered to purchase up to 200,000 bales under the good-neighbor policy. The market for the Peruvian cotton of the Tanguis variety promptly moved above the support price and it was unnecessary to purchase any of this variety.



We purchased 2,987 bales in Niargua under the good-neighbor policy for a total of \$142,159. This cotton has been sold in the private trade for movement into Canada and no loss was incurred. We actually netted \$20,000 on this deal.

Offer was made to purchase cotton in Haiti to the extent of the past year's carry-over, amounting to approximately 10,000 bales. The cotton market in Haiti promptly moved above the support price as soon as the support price was announced, and it was unnecessary to purchase any Haitian cotton.

While our foreign-cotton purchase activities carry subsidy features, operations to date have not resulted in any loss to the Corporation. If the war should last for any extended length of time and we are called upon by the military to purchase these specific types of cotton which cannot be grown in this country, it is possible that some losses will result because of stock piles at the end of the war.

#### MISCELLANEOUS COMMODITIES

Although coffee, sugar, and fats and oils are the largest items procured abroad, many additional commodities are purchased as an incident to the war effort. These include cocoa, insecticides, dehydrated foods, canned tomatoes, rice, beans, protein feeds, flax fiber, and others.

As the food requirements of the United Nations increase an intensified effort will be made to relieve the strain on domestic supplies through a foreign procurement.

#### EXTENSION OF LIFE PROVISION

Mr. Davis in his statement mentioned that legislation is now on the books which requires the Corporation to make loans on the crops, up to the year 1946, on cotton, corn, wheat, rice, tobacco, and peanuts. Other legislation requires that we have price support programs for the duration of the present emergency and for 2 years thereafter. The proposed legislation would provide for the extension of the life of the Corporation until 1947, or 2 years after hostilities have terminated, whichever is the later. Under past legislation the life of the Corporation has been extended for no more than 2 years at any one time. However, in view of the fact that many of the Corporation's programs, such as the domestic hemp program, for instance, are undertaken because of the war, and will undoubtedly be carried forward at least for the duration of the present conflict, and further, in view of the fact that Congress has within the past year or two enacted legislation assuring farmers that loans will be available through Commodity Credit Corporation until at least the year 1946, it seems appropriate that the proposed legislation should provide for an extension of the life of the Corporation until the year 1947 or 2 years after hostilities have terminated, whichever is later.

The farming industry, as in the case of other industries, needs to plan well in advance if radical changes in production are to be realized, and it is our judgment that the extension of life of the Corporation will provide a basis for price assurances for the next few years, during which time food production as well as the production of other commodities appears essential not only for the welfare of the Nation but for the well-being of our allies.

#### GENERAL ACCOUNTING OFFICE

I should also like to point out another item which relates exclusively to the internal workings of the Corporation. At present the administrative expense payments of Commodity Credit Corporation are subject to audit by the General Accounting Office. However, our capital fund operations, those dealing with loans on and purchases of commodities; carrying charges such as warehousing, transportation, and interest payments; and other items directly associated with program operations are not audited by the General Accounting Office, although audited by the staff of the Reconstruction Finance Corporation and the Treasury appraisal in connection with the annual valuation of assets.

Several months ago, a committee was established, made up of representatives of the Department of Agriculture and the General Accounting Office, for the purpose of considering the relationships between the Corporation and the General Accounting Office. This committee has come forth with a recommendation that provides legislation authorizing and directing the audit of the financial transactions of the Corporation by the General Accounting Office in accordance with the principles applicable to commercial corporate transactions. This legislation is mutually acceptable to and supported by both the Commodity Credit



Corporation and the General Accounting Office, and in our judgment, it will provide the means by which our capital fund transactions may receive the review necessary to assure the satisfaction requisite to the expenditures of Federal moneys without requiring detailed audit and examination of each of the millions of documents handled by the Corporation.

#### CHANGE IN BASIS OF APPRAISAL OF ASSETS

A revision in the basis of the annual appraisal of assets by the Treasury is requested as a matter of simplification. It seems more appropriate for the appraisal to be made on June 30 each year since that is the closing date of the fiscal year. We believe that it will cost a little less to make the appraisal on the new basis for valuing the commodities and the final results will be equally sound. These suggested changes have been discussed with and have the approval of the Treasury Department.

#### INCREASE IN BORROWING POWER

In order that the Corporation may continue to make its facilities and services available to carry out current commitments and at the same time be prepared to assume responsibility for new programs on the food front, it will be necessary for us to have congressional authorization to increase our borrowing power. This will not involve the appropriation of moneys out of the Treasury; but it will involve rather authority to increase our current authorization for financing our operations. Under present legislation Congress has authorized the Corporation, with the approval of the Secretary of the Treasury, to issue and have outstanding at any one time obligations not to exceed \$2,650,000,000 to be fully and unconditionally guaranteed as to principal and interest by the United States. As a consequence of our accelerated war programs, we have taken up all but a fraction of this authorization. We estimate that unobligated capital fund balance will be down to approximately \$200,000,000 on June 30, and unless this balance is increased we will soon be forced to curtail our operations and we will be without authority to assume additional financial commitments and to undertake any new programs. Based on current estimates it will take an additional billion dollars to permit us to carry out mandatory and emergency projects directly connected with our war effort during the fiscal year 1944.

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#### EXPLANATION OF SECTION 3 OF H. R. 2725

Section 3 provides for an audit of the capital fund operations of the Commodity Credit Corporation by the General Accounting Office. It is provided that this audit shall be made in accordance with principles applicable to commercial corporate transactions. Since the establishment of the Corporation in 1933, its capital fund operations have been subjected to a commercial type of audit by the Reconstruction Finance Corporation as an incident to the financial relationship between the two corporations. In addition, many of the capital-fund operations which are carried out through the facilities of the Federal Reserve Banks have also, because of the interest of the banks in these operations, been subjected to a commercial type of audit by these banks. Moreover, pursuant to the act of March 8, 1938 (52 Stat. 107, as amended), the Treasury Department makes an annual appraisal of the assets and liabilities and a determination of the net worth of the Corporation and reports the same annually to Congress. The administrative expenses of the Corporation are audited by the General Accounting Office in accordance with the regular governmental type of audit as required by the appropriation act making funds of the Corporation available for these expenses. This audit of administrative expenses by the General Accounting Office is not disturbed by the bill, but the audit of the capital-fund transactions provided by this bill could replace the commercial type audit made by the Reconstruction Finance Corporation.

As an incorporated agency of the United States the Commodity Credit Corporation follows business methods and procedures in the performance of its functions rather than the customary pattern of Government department or bureau operations. Flexibility in operation, an essential attribute of the corporate form of organization, is indispensable to the accomplishment of the functions and objectives for which Congress has directed that the Commodity

Credit Corporation be employed. The War Food Administration and the Comptroller General of the United States agree that the regular governmental type of audit is not adaptable to the capital fund operations of the Commodity Credit Corporation.

In general, the purpose of the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress, in the light of restrictions and limitations placed by the Congress generally upon the expenditure of appropriated moneys. It is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending those funds upon the basis of documents and records usually submitted to the General Accounting Office and retained in its custody. In contrast, the commercial type of audit is separate and apart from the accounting system and internal financial control of the Corporation and is designed to determine the true financial condition of the Corporation as of a given date and the results of its financial operations during the period covered by the audit, as well as establishing whether the funds of the Corporation have been regularly expended in accordance with operate authorization. These determinations are made by detailed examination of the operating and financial records of the Corporation at the places where they are being used in the conduct of corporate business.

The Commodity Credit Corporation's fiscal responsibility is vested in the Corporation and not in the individual fiscal agents. In other words, the fiscal agents are responsible to the Corporation, which in turn is liable to the Federal Government for the Government's investment in the Corporation. The examination of the individual accounts of particular fiscal agents with a view to external control and settlement would not facilitate a determination of the financial standing or progress of the Corporation as a whole. Such an examination would, as a matter of fact, seriously interfere with the Corporation's internal financial management and impair the flexibility which is the very basis of the Corporation's existence.

The fundamental difference between the two types of audit, and the inadequacy of the governmental type of audit as applied to capital-fund operations of the Corporation, may be more clearly seen from a comparison of the procedures involved.

The governmental type of audit generally involves the following seven steps:

1. The fixing of the amount for which the disbursing officer is accountable under his bonded responsibility by reason of the advance of funds under particular appropriations upon accountable warrants and by reason of collections received by him;

2. The submission by the designated disbursing officer to the General Accounting Office for audit and settlement of an account supported by certified vouchers and by other original papers evidencing specific payments which he has made from the particular funds charged to him;

3. The examination by the General Accounting Office of these vouchers and other original supporting papers to determine whether the payments covered thereby were properly authorized and whether the expenditures represent valid obligations of the Government under the specific appropriation sought to be charged;

4. The settlement by the General Accounting Office of the disbursing officer's account and the determination of his liability to the United States;

5. The determination of the liability to the United States of the officer certifying for payment the items included in the disbursing officer's account;

6. The preparation and issuance of certificates of settlement incorporating all unexplained or unadjusted differences developed in the examinations of the accounts; and

7. The institution of collection proceedings if the accountable officer fails to pay over any balances found due from him in the settlement.

The commercial type of audit ordinarily made of large business corporations usually involves the following seven steps:

1. The establishment of the authorities of the various officers and employees by reference to the original articles of incorporation, bylaws, minutes of the board of directors, and other official authorizations taken in the name of the Corporation;

2. The verification, through appropriate checks, of the original general and subsidiary ledgers by comparison of original collection and disbursement documents with such ledgers and, in connection with this, the determination that all actions reviewed are properly authorized;

3. The verification from the original accounting records and supporting documents of the accuracy of all items appearing on the balance sheet, including veri-

fication of all cash on hand and in banks, and when needed, positive establishment of the existence of assets by physical inventory methods or through inquiries addressed to debtors and the determination of actual liabilities through inquiries addressed to creditors;

4. The review and establishment of the accuracy of any operating statements to determine that they clearly indicate the financial progress of the Corporation during the period covered by the audit, including proper reflection of any profits made or losses suffered;

5. Determination, in light of the actions by the board of directors and any changes in the policies of the Corporation, that proper records are established and necessary safeguards developed correctly to reflect the financial operations of the Corporation and to protect the Corporation from financial loss which can be prevented by proper and adequate records and procedures;

6. The preparation of a report covering the audit, including certified financial statements and comments deemed appropriate by the auditor, such as recommendations for changes in the accounting procedure and records, errors still uncorrected at the completion of the audit, analysis of facts brought out in the financial statements, and the submission of such a report to the officials ordering the audit; and

7. The institution of corrective action by the corporate management.

Aside from the more fundamental differences in approach and purposes apparent between these two systems, it should also be noted that the nature of the capital fund operations of the Corporation is such that it is impractical, if not impossible, to assemble in one place the original vouchers and other original papers supporting the capital fund operations of the Corporation and still permit the Corporation to carry out the business responsibilities imposed upon it by the Congress. For example, papers supporting particular transactions such as warehouse receipts, bills of sale, etc., must, in many cases, be retained by the Corporation at particular locations for continued use in connection with the original transaction. In other cases, these original documents are required to be recorded and held in public offices or deposited with banks or other institutions. As a further example, notes purchased by the Commodity Credit Corporation, evidencing borrowings by farmers and others, are required to be deposited with the banks at which the notes are to be paid for eventual surrender upon payment.

The regular governmental type of audit deals solely with the receipt and expenditure of funds. In the case of the Commodity Credit Corporation, which has large stocks of commodities on hand, large amounts of receivables and payables and similar items that develop as a result of the commercial nature of its operations, an audit dealing with only the cash receipts and expenditures is totally inadequate. The commercial type audit as outlined above covers the entire financial operation and is the only type which will provide, in the opinion of the War Food Administrator and the Comptroller General, an adequate audit and a comprehensive report for this Corporation.

Although the Corporation has had the benefit of a commercial type of audit of its capital fund operations in the past by the Reconstruction Finance Corporation and also in some instances by the Federal Reserve banks, it recognizes the desirability of having that audit performed by the public auditor, the General Accounting Office. The General Accounting Office also recognizes the desirability of performing this type of audit for the Corporation, but considerable doubt is entertained whether it is authorized to do so under existing legislation. On the other hand, considerable doubt is entertained whether the Commodity Credit Corporation is authorized to permit a regular governmental type of audit of its capital fund operations. Accordingly, the Congress is asked to resolve these doubts by specifically authorizing the General Accounting Office to make an audit of the capital fund operations of the Commodity Credit Corporation in accordance with the principles applicable to commercial corporate operations, as provided in section 3 of the bill.

#### ANALYSIS OF SECTION 3

The language providing for this type of audit is proposed as an amendment to section 7 of 49 Stat. 1, 4, which is the act recognizing Commodity Credit Corporation as an agency of the United States and providing that its corporate funds shall remain available as such for corporate functions. In view of the fact that the General Accounting Office has the responsibility of applying the legislative restrictions relating to public funds generally, the phrase "without regard to provisions of any other existing law relating to public funds" is in-

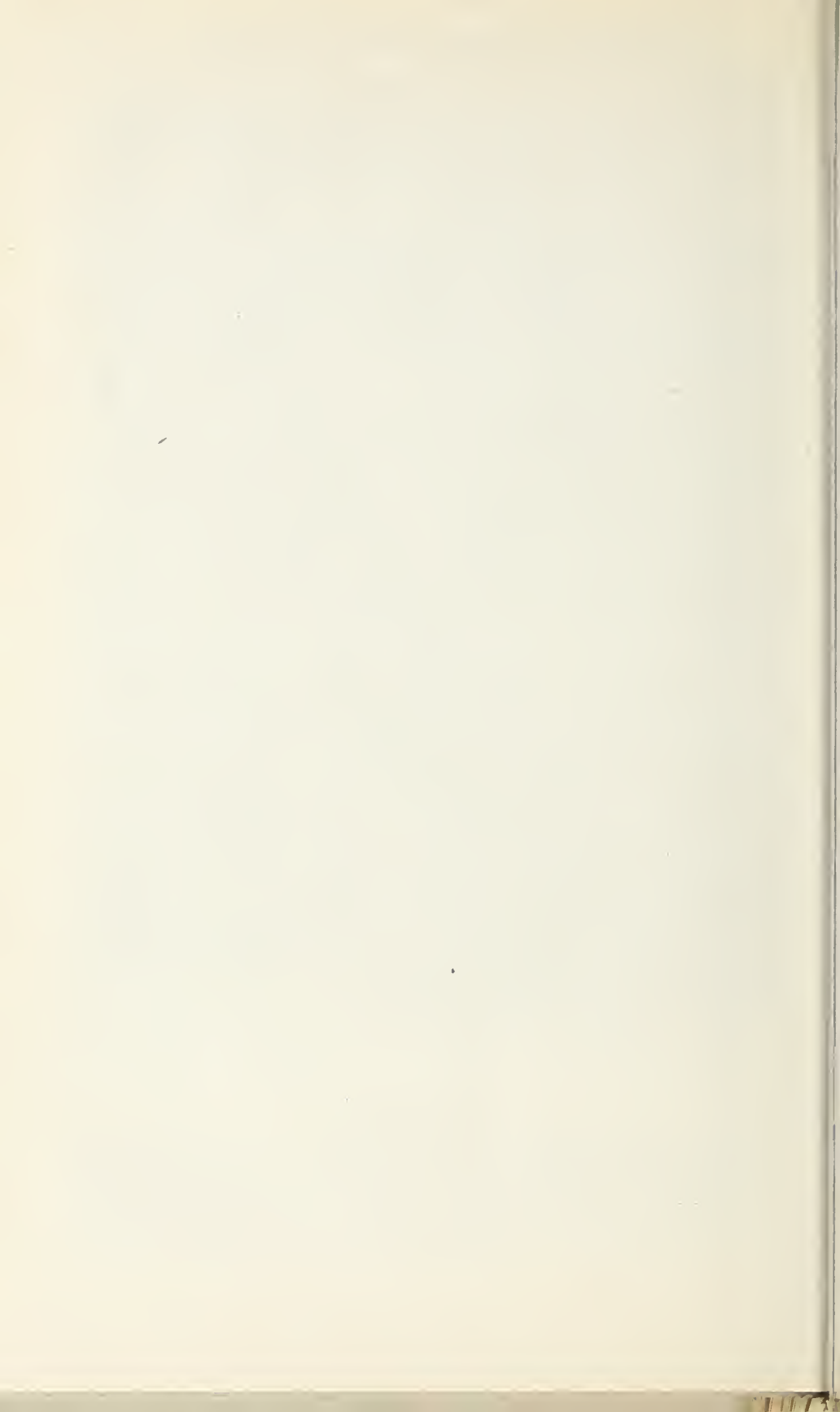


cluded as declaratory of the present status of the Corporation's capital funds and to furnish a guide in the performance of the special type of auditing functions provided for in the bill. Similarly, the proviso "That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business," merely restates the present responsibility of the Corporation to keep accounts and determine procedures.

The subsection proposed as (b) of section 7 of 49 Stat. 1, 4, directs the General Accounting Office to audit the financial transactions of the Commodity Credit Corporation in accordance with the principles applicable to commercial corporate transactions. The principle of the proposed audit is an examination of the accounts of the Corporation as such and not those of any particular person, or the enforcement of any personal responsibility. Pursuant to this and the remaining subsections through (d), the Comptroller General is given power to prescribe rules and regulations which shall govern performance by the General Accounting Office of the duties imposed by this bill, but nothing in the bill disturbs—in fact, the bill expressly preserves—the existing power of the Corporation incident to its corporate form, (a) to control finally and conclusively the settlement and adjustment of the accounts involving corporate funds, (b) to make final and conclusive settlements of claims by and against the Corporation, (c) to make final and conclusive settlements of any claims by and against fiscal officers of the Corporation, (d) to retain full custody of all corporate records and documents. Any examination of such records and documents during the course of the audit by the General Accounting Office must be made at the place or places where they are normally kept in the transaction of corporate business.

In the making of the audit the General Accounting Office is given full access to the papers, books, files, accounts, financial records, warehouses, and all other things, property, and places belonging to or under the control of or used or employed by the Corporation, and is afforded full facilities for verifying transactions with and balances in depositaries and with fiscal agents. If satisfied that unnecessary duplication will thereby be avoided and that the public interest is sufficiently protected, the General Accounting Office is given authority to accept, without further audit verification, certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business. The expenses of the audit under the proposed legislation until June 30, 1945, will be paid by the Corporation from corporate funds. It is provided that the audit shall begin with financial transactions from July 1, 1943, and that a report of the audit covering each fiscal year shall be submitted to Congress after the Corporation and the Secretary of Agriculture have been afforded a reasonable opportunity to examine the report, point out errors therein, explain or answer the same, and file a statement which shall be submitted by the Comptroller General with his report. It is not intended that this report should include a detailed recital of all items questioned and minute steps taken in the progress of the audit, but that it should cover, in the discretion of the Comptroller General, a narrative or summary statement of the financial status of the Corporation, its financial progress, the methods by which the results reported were ascertained, and significant factors disclosed by the audit, together with recommendations with regard thereto. It is further provided that a copy of the audit shall be transmitted to the Secretary of the Treasury for his information and consideration in appraising the assets and liabilities and in the determination of the net worth of the Corporation under sections 1 and 2 of the act of March 8, 1938 (52 Stat. 107), as amended.





# CONTINUANCE OF COMMODITY CREDIT CORPORATION

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THURSDAY, MAY 27, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

(The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman) presiding.)

The CHAIRMAN. Let the committee come to order.

We have with us this morning Mr. Edward A. O'Neal, president of the American Farm Bureau Federation, who, I am sure, is well known to every member of this committee and who is one of the outstanding farm leaders of the United States, a citizen of Alabama.

We are glad to have you wish us and to have you discuss this bill, Mr. O'Neal. If you desire to make your statement without interruption it is perfectly agreeable to the committee for you to do so. The members of the committee may interrogate you after you have concluded your prepared statement.

You may proceed.

## STATEMENT OF EDWARD A. O'NEAL, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. O'NEAL. The commodity-loan program administered through the Commodity Credit Corporation has been one of the keystones in the national-farm program since 1933.

The American Farm Bureau Federation has consistently advocated and supported such legislation for commodity loans from the very beginning of this program, beginning with the Agricultural Adjustment Act of 1933 and subsequent legislation down to the present time. The use of commodity loans proved so effective in connection with the Agricultural Adjustment program during the period 1933 to 1940 in helping to restore and safeguard farm prices, that we advocated and Congress enacted in 1941 the extension of this principle to provide a mandatory loan of 85 percent for the basic commodities which had programs of surplus control. This legislation proved very effective in helping to safeguard the parity position of the basic commodities.

In order to provide comparable protection to nonbasic commodities and to assure adequate production for national defense, we appeared before this committee later in 1941 during the consideration of a bill to continue the Commodity Credit Corporation and we recommended additional legislation which resulted in the enactment of the Steagall Act. This act required the Secretary of Agriculture to support the

prices of any nonbasic commodity at not less than 85 percent of parity either by loans, purchases, or other operations whenever an increased production is needed for defense purposes. It also places a mandate upon the Secretary to so utilize the funds made available for the purchase and sale of other agricultural commodities so as to support prices as nearly as possible at parity levels.

The Steagall Act also contained, for the first time, a provision authorizing the Secretary to establish comparable prices for nonbasic agricultural commodities whenever the parity is found to be out of line with the goal for basic commodities due to changes in production and consumption. Unfortunately, this authority has not been utilized effectively. It has only been used on a few commodities and in practically every instance the comparable prices that have been determined and published have proved unsatisfactory to the producers and ineffective to secure the maximum production required for the war effort.

The Steagall Act and the mandatory 85 percent loan program both proved so effective that when Congress enacted the Stabilization Act of October 2, 1942, it included amendments which were heartily supported by us, increasing the mandatory loan rate and the minimum price support provisions of the Steagall Act from 85 percent to 90 percent of parity, except in the case of corn and wheat the loan rate was left discretionary with the Secretary between 85 percent and 90 percent of parity.

At this time, the operations of the Commodity Credit Corporation are vitally affected, not only by price support policies under the Steagall Act and other existing laws, but also by price control policies.

The policies of the American Farm Bureau Federation with respect to inflation, price control, and subsidies are set forth in the following resolution, adopted by the voting delegates at the last annual meeting of the Federation in Chicago last December.

The position of the American Farm Bureau Federation on inflation has been clear and consistent from the beginning of the emergency. At all times we have insisted that, to be effective, any plan to control inflationary forces must be applied to all industrial prices, all farm prices, and all wages.

The national administration early this year set out to control inflation by fixing price ceiling on industrial and agricultural products, but without placing ceilings on wages. We warned that this approach could end only in failure because the biggest factor in production costs is wages; and if wages were left uncontrolled, costs would be certain to rise. We were assured that if the proposed law were passed, the administration would find other ways to control wages. The proposed law was passed, leaving out wage control. Continued increases in wages resulted in increased cost of production, and soon producers, manufacturers, and processors were squeezed between rising costs and fixed selling prices, creating an impossible situation which could be remedied only by puncturing ceiling levels, by the payment of subsidies or by additional legislation to correct the errors inherent in the original law.

When new legislation was demanded by the President, it was enacted on October 2, 1942, and was supplemented by an Executive order creating the Office of Economic Stabilization, outlining policies for control of prices, and assigning to various agencies responsibility for wage control.

The statute enacted on October 2 provided that no ceiling should be fixed on any agricultural commodities or products thereof at levels which would reflect to farmers prices below parity prices or the highest market price during the period January 1-September 15, 1942, whichever is higher; and also required that allowance should be made for all increased costs of farmers since January 1, 1941, including all increased farm labor costs in calculating and establishing ceiling levels.

The terms of the law have been flouted in announced regulations, some of which are based on faulty interpretation of the law. We insist that these regulations be modified to conform with the plain terms of the law. Furthermore, we protest vigorously against the announcement that Government payments to farmers would be taken into consideration in fixing price ceilings. There is nothing whatever in the law to justify such procedure.

In order to permit farmers more nearly to meet competitive wages for labor, we insist that all increased farm labor costs be taken into account in determining parity prices for farm commodities at least for the duration of the emergency.

In the administration of price control and rationing programs by the Office of Price Administration there has been flagrant disregard of congressional mandates, a flood of impractical instructions and regulations, development of a gigantic bureaucracy, and persistent efforts to provide bargain prices to consumers at the expense of farmers and taxpayers. We urge a thorough congressional investigation of the Office of Price Administration, and additional legislation to correct the defects in this program.

The national administration is now keeping retail prices of some food products below established ceiling levels through the expedient of paying subsidies. We submit that this subterfuge is wrong in principle. If the farmer is receiving no more than a fair price for his products, the ceiling retail price should be set at a level which will reflect this fair price to the farmer.

The use of payments to bring farm returns up to a parity at a time when huge surpluses were depressing the markets, was entirely justified, but the entire farm program was based on the assumption that parity prices are fair to consumers as well as to farmers, and that as economic conditions improved, market prices would rise to parity, thus eliminating the need for parity payments. Now, with wages higher in relation to food costs than ever before, there is no sound reason why retail prices should not be permitted to rise to such levels as to assure farmers parity for their products in the market place.

The practice of paying subsidies to avoid raising the price to the consumer cannot be fairly considered as preventing inflation, because the same total amount is paid whether the consumer pays it all, or whether he pays part of it and the taxpayer the balance. We are unalterably opposed to the use of subsidies in lieu of fair prices in the market place at times when consumers are fully able to pay fair prices. We aggressively urge that present experiments in this field be abandoned and be replaced by action based on the more realistic policy of fixing retail price ceilings at levels which will reflect fair prices to the producers of farm products.

In considering the continuation of the Commodity Credit Corporation and the expansion of its lending authority, it is essential to give due consideration to price control policies which may affect the policies and operations of the Corporation. Based upon the resolution adopted by the Federation, I wish to respectfully recommend for the consideration of the committee the following basic policies with respect to the continuation of the Commodity Credit Corporation and the expansion of its lending authority at this time:

1. We strongly favor the continuation of the Commodity Credit Corporation and insist that it be enabled to carry out its necessary functions to aid agriculture, and, particularly to enable agriculture to make its maximum contribution to the war effort.

2. The Commodity Credit Corporation should adhere to the basic purposes which Congress has authorized; namely, to help stabilize and safeguard farm prices at parity levels and to help assure adequate stable supplies of agricultural commodities.

3. We are unalterably opposed to the use of subsidies in lieu of fair prices in the market place at times when consumers are fully able to pay fair prices. We aggressively urge that present experiments in this field be abandoned and be replaced by action based on the more realistic policy of fixing retail prices at levels which will reflect fair prices to the producers of farm products.

4. The Commodity Credit Corporation, therefore, should not be used to provide subsidies in lieu of fair prices in the market place.

5. Present price control policies should be coordinated with price support policies of the War Food Administration so as to assure the maximum production of food and fiber for the war effort. We must get rid of divided



authority which results in the fixing of price ceilings below the levels necessary to get adequate production. The War Food Administration should be empowered to determine what price supports and what adjustments in price ceilings are required on any agricultural commodity or any product thereof in order to secure maximum production and equitable distribution thereof for the war effort and his determinations should be final for the purposes of the act of October 2, 1942 and the Emergency Price Control Act of 1942, and any orders or regulations issued thereunder. He should be given full authority to use the functions of the Commodity Credit Corporation through purchases, loans, or sales operations so as to stabilize agricultural prices in the interest of both producers and consumers in the war effort.

6. Congress should prohibit the deduction of any subsidy payment, parity payment, conservation or incentive payment or any other payments in establishing, maintaining or adjusting maximum prices or in determining parity or comparable prices for any agricultural commodity or any commodity processed or manufactured in whole or substantial part from any agricultural commodity.

7. Congress should provide for full reimbursement of the Commodity Credit Corporation for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of the Lend-Lease Administration, the Army or Navy, the Board of Economic Warfare, the Reconstruction Finance Corporation, or any other Government agency.

We respectfully urge this committee and the Congress to formulate appropriate provisions to carry out these objectives and incorporate them in H. R. 2725.

In support of these recommendations, I wish to point out first that throughout the history of Commodity Credit legislation, its fundamental purpose has been to help restore and stabilize farm prices at parity levels and to help assure adequate stable supplies of farm commodities in such a way as to prevent surpluses from depressing farm prices below parity.

Now that the supply and demand situation is reversed to what it was during the depression years, there is increasing pressure from consuming sources to utilize the Commodity Credit Corporation for the purpose of subsidizing bargain prices to consumers in lieu of fair prices.

Subsidies in connection either with prices received by farmers, processors or distributors are in reality subsidies to consumers under present supply and demand conditions because prices would rise to fair levels if they were not held down abnormally by price ceilings and subsidies.

To utilize the funds of this agency to subsidize the grocery bills of consumers at a time when national income is at record levels and consumers are abundantly able to pay fair prices without subsidies is not only indefensible, but is a perversion on the basic purpose for which this Agency was established by Congress.

Farmers do not want subsidies in lieu of fair prices in the market place. They would much prefer securing fair prices in the market wherever possible. During the depression years when consumer income was greatly reduced and we had enormous surpluses of many of our basic agricultural commodities, it was impracticable to secure full parity prices in the market place, and therefore it was necessary to supplement farm prices with adjustment payments under the agricultural adjustment program, which helped protect the income of farmers who cooperated in a Nationwide program of adjusting their production in line with effective demand.

Today, however, the supply and demand situation is reversed. In most instances, instead of surpluses, we have shortages of agricultural

commodities. Unless prices are arbitrarily held down by price ceilings or other governmental actions, farmers would receive fair prices in the market place without subsidies.

All the farmer asks is a price sufficient to enable him to risk his capital and labor in an all-out effort to increase his production to the limit necessary to meet the needs of the war effort. The farmer is in no different position in this respect from the manufacturer of airplanes, guns, tanks, or any other munition of war.

The current demand of organized labor leaders for a roll-back of prices to May 1942 levels is absolutely indefensible and, if approved, will automatically hurt more than it will help consumers.

Figures published by the Bureau of Agricultural Economics show that from May 1942 to February 1943 the average weekly earnings of factory workers increased 16.2 percent and the average hourly earnings increased 10.6 percent, while retail food prices increased only 9.8 percent and the cost of living increased only 4.2 percent. Furthermore, back in May 1942 factory workers were already receiving over four times as much hourly earnings and over three times as much weekly earnings as they received in the base period, 1910-14, while retail food costs were only 56.9 percent higher and the cost of living only 68.1 percent higher in the same base period and farm prices were only 52 percent higher. Furthermore, the earnings of factory workers were double the peak earnings of World War No. 1, whereas the prices received by farmers average less than the peak of World War No. 1.

Furthermore, during the last quarter of 1942, the total national income reached a level of \$119,800,000,000, the highest on record. Of this total national income, \$83,700,000,000 represented the total salaries, wages, and income of employees.

Furthermore, the total compensation of employees increased from 48.1 billion in 1939 to 83.9 billion in 1942; an increase of 35.6 billion dollars.

The use of subsidies in lieu of fair prices to consumers at a time when national income is at record levels is highly inflationary, first because it increases the amount of excess consumer purchasing power which cannot be expended for goods and, second, because it adds still further to the public debt which must be financed by a greater volume of bond issues. Such policies merely substitute debt inflation for price inflation and of the two, debt inflation is more dangerous.

Once a general policy of subsidies in lieu of fair prices is adopted it will be difficult if not impossible to prevent the piling up of enormous expenditures.

We need to conserve all our financial resources for the expenses necessary for the winning of the war, and we cannot afford to dissipate our resources to subsidize consumers who are able to pay fair prices out of their incomes.

The inauguration of a general program of subsidies in lieu of fair prices will make more difficult post-war readjustments. If consumers are unwilling to pay fair prices now when they have record incomes it will be difficult for farmers to secure fair prices during the period of post-war readjustment, particularly in periods of surplus supplies and unemployment.

Instead of permitting fair prices in the market and avoiding general dependence upon subsidies, the administration has persistently sought

to resort to a subsidy program, despite the repeated actions of Congress disapproving such subsidies in lieu of fair prices.

For example, after the enactment of the Emergency Price Control Act of 1942, when it became apparent that the universal price freeze order promulgated by O. P. A. was going to break down all along the line because there was no effective control of wages, which constitute the principal factor in costs, the Office of Price Administration thereupon joined with the Reconstruction Finance Corporation in asking for legislation to provide an increase of \$5,000,000,000 to the R. F. C. and \$1,000,000,000 for the Commodity Credit Corporation to help finance subsidies in lieu of prices.

The Senate Banking and Currency Committee included such a provision in the R. F. C. bill when it was reported to the Senate, but it encountered so much opposition that it was obvious that it could not be enacted, and its supporters then moved to refer the subsidy provisions back to the committee. The House Banking and Currency Committee declined to include any such subsidy provisions in the bill which it reported to the House.

Foiled in this attempt, the Administration went ahead with its subsidy program anyway by administrative decree, despite the attitude of Congress. Whereupon Congress, on July 25, 1942, thoroughly aroused by this flagrant defiance of its policies, inserted a specific prohibition in the appropriation bill for the administrative expenses of the Office of Price Administration as follows:

*Provided further,* That no part of this appropriation shall be available for making any subsidy payments.

Again, the Administration evaded the policy of Congress by utilizing the funds of the R. F. C., and the Commodity Credit Corporation, and more recently it even used the funds of the Agricultural Marketing Administration obtained from customs revenues under section 32 of the Agricultural Adjustment Administration to make payments to farmers in lieu of the necessary prices to attain maximum production of certain commodities.

The Department of Agriculture announced a program of incentive payments to farmers aggregating approximately \$100,000,000, which were to be used to secure increased production instead of raising the prices to farmers under the authority of the Steagall Act or under the authority of the price-supporting provisions of the act of October 2, 1942. And, again, the House Appropriations Committee refused to appropriate funds for this purpose, and the action of the committee was decisively sustained by vote of the House.

Furthermore, the House of Representatives, only a few weeks ago, specifically restricted the payments to be made under the A. A. A. program to soil building and water-conservation practices, and prohibited the use of any funds for incentive payments.

In view of this record of flagrant defiance of congressional policies on the part of the executive branch of Government, we believe it is essential for Congress to safeguard any further grants of funds to the executive branch of Government in such a manner as to assure that the policies of Congress are carried out as intended by Congress.

Furthermore, it is vitally important that Congress safeguard the operations of the Commodity Credit Corporation from conflicting policies in the administration of price control. Unless this is done the



efforts of the Commodity Credit Corporation and the War Food Administration to properly safeguard farm prices so as to assure maximum production may be seriously jeopardized.

The policies with respect to the control of inflation have largely failed. The first fundamental mistake was the failure to provide any effective control of wages. As a result, the wages of industrial labor, already at record levels, before the outbreak of the Second World War have since spiralled to even higher levels until now the average earnings of factory workers are practically double the peak of factory wages in World War I.

As this committee knows, our organization for nearly 2 years has advocated an effective program for the control of inflation which we contend must provide for control of inflationary wages as well as inflationary industrial prices and inflationary farm prices and an adequate tax program to recapture excess profits and excess earnings, but up to now no such effective program has been put into operation.

Instead, the Administration's policy of inflation control has sought to freeze the prices of millions of commodities without effective control of wages and purchasing power. A gigantic bureaucracy has been developed in the O. P. A., flooding the country with impractical regulations and directives. The food-production program has been seriously jeopardized because of the determined efforts of O. P. A. to provide bargain prices to consumers without due regard to providing prices essential to secure maximum production.

The O. P. A. has repeatedly demonstrated that it is not qualified to administer the price policies on agricultural commodities. The Office of Economic Stabilization not only has failed to correct these policies but is even now engaged in supporting policies which we fear will lead to disaster unless corrected. Again and again the American farmer has been made the whipping boy to appease the unreasonable demands of organized labor leaders. We do not believe the rank and file of consumers or working people would approve of these demands if they had the true facts. After all, the consumer is much more interested in obtaining enough to eat than in obtaining bargain prices, particularly at a time when their incomes are at record high levels.

We believe the time has come when this committee which handles the legislation with respect to Commodity Credit Corporation and price-control legislation should legislate to correct these conditions and bring about the proper adjustment and correlation of price-control policies with the price support policies now provided in existing law under the Steagall Act, the Agricultural Adjustment Act, and the Price Control Act of October 2, 1942.

Farmers are straining every effort in all-out production for the war effort. They are looking to Congress to safeguard them and assist them to achieve the maximum production for the war effort.

In order to carry out the foregoing recommendations I wish to submit the following amendments, which I hope will receive your favorable consideration:

#### AMENDMENT No. 1

In order to prevent the funds of the Commodity Credit Corporation or any other Government agency from being used for the payment of subsidies to maintain maximum prices for agricultural commodities or for commodities processed in whole or in substantial part from agricultural commodities, no maximum price



shall be established or maintained under any law for any such commodity below a price which will reflect to the producers thereof in the market place the support price therefor announced by the Secretary, or below the higher of the maximum prices provided in section 3 of Public Law No. 729, approved October 2, 1942, as amended, except that nothing in the foregoing provisions shall be construed to prevent the selling of wheat for feeding purposes if sold at not less than the parity price of corn nor to prevent such adjustments in the price supports and price ceilings on competitive oils and fats as may be required to bring about or to maintain the necessary relationship in the prices of such products that is required to assure adequate production for the war effort.

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#### AMENDMENT No. 2

Such modifications shall be made in maximum prices established under the Emergency Price Control Act of 1942, approved January 30, 1942 (Public Law No. 421, 77th Cong.) and an act to amend the Emergency Price Control Act of 1942 to aid in preventing inflation and for other purposes, approved October 2, 1942, (Public Law No. 729, 77th Cong.), for any agricultural commodity and for commodities processed or manufactured in whole or substantial part from any agricultural commodity, as the War Food Administrator determines are necessary to increase the production of such commodity for war purposes, or where by reason of increased labor or other costs to the producers of such agricultural commodity incurred since January 1, 1941, the maximum prices so established will not reflect such increased costs.

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#### AMENDMENT No. 3

That notwithstanding any other provision of law, rule, or regulation, or order, no subsidy payment, parity payment, conservation payment, incentive payment, or payment in any other form or by any other term described shall be deducted in establishing, maintaining or adjusting maximum prices or in determining parity or comparable prices for any agricultural commodity or for any commodity processed or manufactured in whole or in substantial part from any agricultural commodity. The agencies of the Government having jurisdiction with respect to such prices and payments shall make such adjustment in any such prices heretofore determined or established as may be necessary to carry out the purposes of this act.

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#### AMENDMENT No. 4

Full reimbursement shall be made to the Commodity Credit Corporation for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of the Lend-Lease Administration, the Army or Navy, the Board of Economic Warfare, the Reconstruction Finance Corporation, or any other Government agency, from the appropriate funds of these agencies.

Mr. FORD. Mr. O'Neal, in that last amendment I just want to ask this question in connection with it, you say the Commodity Credit Corporation must be reimbursed in full for any products it sells to Lend-Lease, the Army, Navy, or any other agency? Is that your idea?

Mr. O'NEAL. Yes, sir.

Mr. FORD. Of course, that comes out of the Treasury if they pay \$1.50 or \$1.25 for wheat, or if you take some other products, some of these support price products. If the Lend-Lease pay the full amount or reimburse the full amount then, of course, that comes out of the Treasury. If the Commodity Credit Corporation subsidizes it up to a certain amount that also comes out the Treasury. So if I reason correctly then it is as broad as it is long and my reaction to

your suggested amendments is that you fellows want to eat your cake and have it too. That is my reaction to it.

Mr. O'NEAL. That is your reaction. Well, of course, you have wonderful reactions, Mr. Ford. I have known you a good many years. Your reactions are quite remarkable. There is quite a difference. There is a fundamental difference there.

Mr. FORD. I know, but you are continually stressing the fact that industrial workers and factory workers have gotten such a tremendous increase in pay. Are you forgetting that there are probably 12 to 15 million other workers who are not factory workers whose pay has not been raised anything like that, and if you take the whole pay roll of factory workers and other workers and brought them down to a level you would find other persons have been increased very, very little.

Mr. PATMAN. Who are these millions of workers?

Mr. FORD. The white collar workers.

Mr. PATMAN. Name some of them.

Mr. FORD. You have them right here in Washington, getting \$1,420 a year, thousands of them.

Mr. PATMAN. They have been getting increased right along. Congress voted a million increase awhile back.

Mr. FORD. I would not say a million increase.

The CHAIRMAN. And there have been increases by those not affiliated with organized labor or industrial groups. You cannot get a shave in Washington now unless you pay twice what it used to cost you. The price of a shoeshine has been put up to 15 cents. Wherever you turn, taxi fares, and railroad fares have increased.

Mr. FORD. Why don't we be logical then and say this? If the Commodity Credit Corporation has been subsidizing agriculture since 1934, and you cannot say anything else but what it has been doing that, but then it was in the form of a loan, a 12-cent loan on a 90-cent product or 3 cents a pound of subsidy, but it was not called a subsidy; that was called a loan. Now, suddenly when we come into a situation where we are trying to protect the general mass of purchasers or consumers from having to pay skyrocket prices for everything that comes along, it becomes a subsidy then. It is no longer any kind of payment. So I think what is happening is that the Congress, and I have said this before and I am going to repeat it, is trying to be lead astray by slogans, "No subsidy," "No incentive payments," no this and no that, when as a matter of fact, that has been the policy of Congress for the last 10 years. Now, it may be wrong. I am not saying that it is right. But what I cannot understand is that there should be such a sudden change based merely on a few slogans.

Mr. O'NEAL. Well, Mr. Ford, I beg your pardon. I want to answer one of your questions or one of your statements there. I think if we go into this it will be enlightening. There are more people working, you must agree, than ever before in the history of the country. There is more employment, isn't there?

Mr. FORD. That is true.

Mr. O'NEAL. All right. Then the real check is on how many people in a family are working now as compared to how many used to work.

Mr. FORD. Yes.

Mr. O'NEAL. In other words the family income.

Mr. FORD. Yes.

Mr. O'NEAL. So the point I am making is that the figures show the family [the bureau averages, I think, 4 or 4 $\frac{1}{4}$  persons per family or something like that] are spending less of their aggregate income for food than they have in 30 years.

Mr. FORD. Well, no; I would have to see very substantial and sound figures to prove that.

Mr. O'NEAL. Well, I had quite an argument with Mr. Philip Murray, your great friend and associate, on that very point, as a member of Mr. Byrnes' committee, which I am honored to be on. And that question was discussed and the figures were very carefully checked, as to what the market basket was every Wednesday and every Saturday night, what it contained, and what it cost. Even Mr. John L. Lewis brought into his arguments something about the high price of the market basket. Well, when you add up those items, which are checked by the Bureau of Labor Statistics several times a week and compare them with the aggregate family income, the average family spends only 22 percent of income for food.

Mr. FORD. There is a catch in that and I will tell you what it is. There are undoubtedly a great number of families in which more than one person are working at the same time but there are also a great number of families working where only one person is working and they have these other mouths to feed and those are the fellows who get stuck.

Mr. O'NEAL. I am speaking of average families. I would like for you to put in the record how many families you know where just one person is working.

Mr. FORD. I am not out surveying people.

Mr. O'NEAL. I happen to live in one of the largest cities in the United States and I observe a little. I was over in the Marshall Field store the other day to go over to get me a new nightshirt, the old-fashioned type.

Mr. FORD. And you couldn't get it?

Mr. O'NEAL. Oh, yes; I could get it. I asked the old clerk whom I had known for a great number of years, "I see you got a lot of new clerks." He said, "Yes, sir; the whole family is working. Everybody is working." You must take that into account. You check these figures and you will see more people are working and the family income is higher. Where is this \$40,000,000,000 increase they say we are going to have in national income next year coming from unless from the increase in pay rolls?

Mr. FORD. Let me ask you another question in that connection. Quite recently, and it is not settled yet, we have had a tremendous volume of newspaper, radio, and congressional argument to the effect that 1942 taxes were paid in 1943 and that these people could not pay them because they did not have the money and they had not received the pay for it. And they have a tremendous surplus of pocket money to buy everything else and to pay for everything else but taxes. Where does that argument come in? How sound is that?

Mr. O'NEAL. Just apply it to yourself. How is it going to affect you?



Mr. FORD. I pay my taxes every year on the 15th of March.

Mr. O'NEAL. Well, so do I. But the point I am making, and I told the President of the United States this when he was discussing this with a group of farm folks, I said, "You know, it is a remarkable thing to me that every taxi driver I meet whether it is a Filipino or Negro or white man or woman, all are for the Ruml plan. Now, they do not know what the Ruml plan means but they say, 'We want to pay taxes. We want to pay our part of the taxes. We want to pay it. Why, we have the money in our pocket.'" So, it is apparent to me that a whole lot of the folks in America don't mind paying taxes for this war. They want to pay while they've got it.

Mr. KUNKEL. Is that what these people thought the Ruml bill actually meant? Mine is a different experience. Most of them don't have an idea of what it is.

Mr. O'NEAL. That is my experience. They simply say, "We got the money; we are going to spend the money and we want to pay. We want to know what we have to pay."

Mr. KUNKEL. That's different. That has nothing to do with the Ruml bill.

Mr. O'NEAL. I am just telling you what they say. I am not going into the Ruml bill. You gentlemen certainly have been into it plenty. I leave it to you.

Mr. PATMAN. You mean we are into it.

Mr. BALDWIN. Mr. O'Neal, you mentioned awhile ago about the cost of the market basket on Saturday night. Hasn't that cost that has been talked about been brought about by the way the Office of Price Administration has handled prices of all commodities instead of the prices of the commodities subsidized? Have you any record as to how much increased cost per week to the average family would be in those commodities subsidized if they were brought up to the point in the price ceilings which would take care of the subsidy? My observation has been that the cost of living in your markets, the food has gone up in commodities that have not had proper price controls on them, for instance, the basic commodities, canned goods which are being subsidized, when the point rationing was brought out, the housewife immediately, because she cannot get but a certain amount of canned goods went into the green vegetable market and paid terrific prices where there was no subsidy and, of course, price ceilings. And when they set a price ceiling they set it so high it was bound to reflect in increased cost of living. In the Baltimore market on spinach when grown locally and sold locally the price ceiling set was \$1.89 a bushel which was double what anybody anticipated or had ever gotten for that sort of thing unless there was a shortage, an acute shortage, but generally speaking from 70 or 60 to 75 cents was the average price of a bushel of spinach grown and sold locally on the Baltimore market. The Office of Price Administration comes in and sets the base price, the ceiling price, of \$1.89. They said that is what you must charge and that is what you got and they just want to subsidize a can of spinach a half a cent a can. The same way with cabbage, cucumbers, and potatoes.



Instead of putting a price on seed potatoes, it diverted the potatoes, natural ones into consumption into seed channels and they came back into consumption at these abnormally high prices. That is the fact with cucumbers. I heard some of you gentlemen mention cucumbers and carrots and those things the other day. That is where the normal cost of food has gone and not the products being subsidized because if you figure up on four persons per family it would mean just a very few cents per week of subsidy. Do you have the figures of what it would cost?

Mr. O'NEAL. I do not have the figures at hand. I notice Mr. John Brandt has been before this committee. I think probably he testified showing what the subsidy of butter would mean. I have forgotten just what it is, but it is a very insignificant sum, a very small sum but still there are dairy farmers against that subsidy.

Mr. BALDWIN. The point I want to make is the increased cost to the consumer of his market basket has been in commodities which the Office of Price Administration failed to recognize their responsibility to hold, and not subsidized products.

Mr. O'NEAL. I might answer this way: I think the Office of Price Administration has failed completely and has caused a great deal of confusion, as I said in my statement, about the way it has fixed the price ceilings. I do not think there is any question about it on food.

Mr. BROWN. Mr. O'Neal, I agree with your philosophy that in order to have sufficient production for our war efforts we must have a fair price at the market place. If we subsidize some commodities in some areas and not in others, I just don't believe the people are going to be satisfied and I don't think it will ever be successful.

The CHAIRMAN. Mr. Brown.

Mr. BROWN. Yes, sir.

The CHAIRMAN. I think it is agreed by everybody that in the absence of Government interference all farm prices would have been much higher than they are. We have a very good guide to that in the World War in lesser proportions and less demand, of course, but prices were twice what they are now. Undoubtedly farm prices would be much higher than what they are now. In an effort to control the cost of living and keep down inflation we authorized the fixing of ceilings on those commodities. But in order that we might have at least a measure of justice for producers we set limits upon the power to control those prices to the effect that ceilings could not be established below certain levels. Now, that is a law of the American Congress which if accepted and carried out, every farmer in the United States would know how to conduct his business, how to employ labor, how to buy machinery and fertilizer if he could get it and how to make his plans. And, of course, knowing that prices could not go below the standards set in that act he would be assured decent prices and increase production for the war effort, not only out of patriotic impulses but for selfish reasons. But when that is disregarded and a plan set up of bureaucratic methods failing to observe the standards established in the law you then are throwing an element of uncertainty and confusion into the situation. Nobody knows when a subsidy is one thing today, whether it will be something else tomorrow. And, as you say, they set up a subsidy in one territory

different from what they did in another territory. And you throw an element of confusion into the situation that cannot in view of the very inherent difficulties involved be expected to bring about increased production. Whatever merit it may have it cannot have that merit, as against a definite fair price guaranty or safeguarding limitation, which is guaranteed by the existing conditions except it is limited by authority of law which in turn is so written that there cannot be anything done to prevent a fair price.

Mr. PATMAN. Mr. Chairman, for the record and for information, too, what commodities have had their prices fixed below the standards in the bill?

The CHAIRMAN. Below the standards in the Price Control Act?

Mr. PATMAN. The price administration bill of October 2, 1942.

Miss SUMNER. Corn.

The CHAIRMAN. Corn and wheat.

Mr. PATMAN. All right. Are there any others? Corn and wheat of course are substantial items. What is the price fixed on corn?

Mr. O'NEAL. \$1.05 at Chicago.

Miss SUMNER. That is the present price, isn't it? It was lower than that before.

Mr. O'NEAL. It was a dollar, Miss Sumner.

The CHAIRMAN. The President vetoed the bill.

Mr. PATMAN. How does the Office of Price Administration fix the price of corn when we put in that law that the Secretary of Agriculture must approved any price on agricultural commodities?

Mr. O'NEAL. Mr. Patman, let me answer. I suggest and definitely recommend that your committee give your earnest consideration to that thing. I think that this food question is such a serious one. It has been jumbled up so terribly the way they have followed out the mandate of the law. Let us illustrate Miss Sumner's point of how it has worked in the Corn Belt.

Mr. PATMAN. What is the parity on corn?

Mr. O'NEAL. Well, the United States average parity on corn was \$1.04 at the farm level on April 15. Parity at Chicago of course would be more than that. Legal parity is figured at the farm level.

Mr. PATMAN. Well, if it is \$1.05 now that would not be a violation of the act.

Miss SUMNER. It was just recently raised.

Mr. O'NEAL. Yes.

The CHAIRMAN. Yes, there is no question about that.

Mr. PATMAN. So parity then is still \$1.06?

Mr. O'NEAL. But it was above a dollar.

The CHAIRMAN. I do not remember the exact figure. I think it was some 10 or 15 cents, as a I remember. I cannot give you those figures but there is no dispute about the fact they fixed the price below parity on corn and wheat. They were the commodities involved. And the President vetoed the bill upon the theory that they fixed that ceiling and then make up the difference by a subsidy payment. That is what the controversy was about. But immediately after the passage of the law they raised the ceiling or lowered the ceiling, whichever you call it, on corn. In other words, it was 5

cents more on corn, which nearly made up the difference. I do not know exactly what it was.

Mr. PATMAN. What did they do on wheat?

The CHAIRMAN. Wheat was left practically as it was.

Mr. O'NEAL. Ninety percent of parity.

Mr. PATMAN. Other facts enter in that. That is a meat question.

Miss SUMNER. Did you clear up how they handled wheat?

Mr. O'NEAL. Gentlemen, may I complete what I started to say a minute ago? I think it might help your thinking a little bit. Your support price that you authorize was carried out in the case of hogs. There was a floor announced on the price of hogs of \$13.25 which is about 110 percent of parity. Authority was given to the Secretary of Agriculture to do that thing under the Steagall Act. What happened? They got so many hogs now the present food administrator is saying because of the scarcity of grain we have too many hogs.

Mr. PATMAN. Well, we have at least 50 percent more than we have normally.

Mr. O'NEAL. We have this enormous increased production. This is an illustration of a principle that shows how sound your thinking was when you wrote the Steagall Act. Now, suppose the Food Administrator and Prentiss M. Brown, our good friend and a fine gentleman who has a job that nobody wants, let corn or the ceiling on corn rise to a certain level instead of fixing a price that is below parity. Our hog production is already increased 25 or 30 percent. We have more hogs than any nation on earth ever saw in history.

Mr. PATMAN. Yes; and they have to have enough feed to feed them.

Mr. O'NEAL. Yes.

The CHAIRMAN. I suggest that Mr. O'Neal finish his statement.

Mr. O'NEAL. Yes; let me finish, please, if you will. Now, they come along and change that policy and say there is not enough grain to feed the hogs. In the meantime they put a ceiling on corn below parity and ask for funds from the Government to pay that difference. It is the Bankhead-Steagall bill that you gentlemen voted for and the President vetoed. Here we are today with all these hogs out here and plenty of meat for everybody to do the job, and the corn, and the farmer is greatly disturbed because of that situation and that ceiling that he has on his grain out there and it is getting so you cannot get grain in certain areas of the country. They are keeping it out there to use it themselves. And the thing is all confused, very much confused. The farmers don't know just what to do. Now, if they had carried out the act—I heard some farmers say in Delaware here a couple of weeks ago a couple of poultry feeders said, "We would be glad to pay \$1.40 for corn. Why do you want to put a ceiling on corn? Corn went to \$1.80 in the other World War and the national income was way down compared to what it is today." In other words, we violated the provisions of the laws there in all these instances and now you have gotten those producers, livestock producers, up against it.

The CHAIRMAN. Well, you disregarded and refused to exercise the power of control in one instance.

Mr. O'NEAL. That's right.

The CHAIRMAN. And then abused the power in the other to hold that down, and then brought confusion.

Mr. O'NEAL. That's right.

Miss SUMNER. Right here, in my State of Illinois a paper carried a news item yesterday that a survey showed over 1,200,000 and some acres are under water. We do not know whether—some of the corn is already planted and we do not know whether it can be harvested and we do not know whether we will get any so we may have a famine right this year.

Mr. O'NEAL. Very tragic.

Mr. PATMAN. The way you view this bill the main question to be considered by the committee is whether or not we should endorse subsidies or whether or not we should insist upon permitting prices to increase until the farmer gets a fair price. That is the main issue, as you see it?

Mr. O'NEAL. The main issue is to carry out the original purpose of the law as you wrote it.

Mr. PATMAN. What kind of governor or regulator would you put on these farm prices? How would you determine when they were high enough?

Mr. O'NEAL. I would consider primarily the law of supply and demand and the need. I would not put ceilings on certain commodities. I would certainly not do that.

Mr. PATMAN. Mr. O'Neal, you say in your statement there is a shortage now, which is true. Well, the law of supply and demand won't work to keep down inflation if you just let prices go skyward.

Mr. O'NEAL. I agree to that, Mr. Patman, but I ask you a question: How much inflation would be caused by letting the prices go on these things that are very scarce, and to let them go to fair levels?

Mr. PATMAN. The point is, that is what I want to know. What is a fair level? Who will determine it?

Mr. O'NEAL. Let it cover all costs. Let it protect the farmer, as Congressman Brown says.

Mr. PATMAN. I am not antagonistic to your aim. I favor what you favor.

Mr. O'NEAL. Sure.

Mr. PATMAN. Unless it is shown to me that a subsidy would be better and this will not work, and it has not been shown to me, therefore, I am for letting these prices rise for two or three reasons. One is it is absolutely fair and the other is the Government has got to get some money out of somebody to pay this debt and unless somebody makes some money along the line we will never pay our debts. And we cannot keep prices and wages down to starvation levels and ever pay this enormous national debt, and that is another good reason, to pay the debt.

The CHAIRMAN. Pardon me, Mr. Patman, and you cannot have unemployment, which is what results when you beat down these prices.

Mr. PATMAN. I want to be convinced you have a method that has a reasonable price control in it. I am for price control. You are for price control, aren't you? You are for price control, aren't you, Mr. O'Neal?



Mr. O'NEAL. Absolutely.

Mr. PATMAN. If you are for price control, we cannot advocate this unless we have some method that we have to pursue that will convince our colleagues as a reasonable price control. We want the method. What is it?

Mr. O'NEAL. The method is what you wrote in the law yourself.

Mr. PATMAN. Just with parity prices?

Mr. O'NEAL. No, sir. The price necessary to get production.

Mr. PATMAN. That is a kind of a loose phrase though.

Mr. O'NEAL. I will explain if you will let me.

Mr. PATMAN. All right, go ahead.

Mr. O'NEAL. After all, if you consider agriculture as a whole and its vital necessity to the world today, I would let the Price Administrator handle this price control. I would let the food-control administrator handle this question, and where he felt it was necessary to get production let the prices go to the point to get the production so as to pay the costs.

Mr. PATMAN. You would leave it to him?

Mr. O'NEAL. I would leave it to him. I would put it in the law there that he would have to follow the parity concepts or principle.

Mr. PATMAN. To leave it to him to say whether or not it was best to give a higher price to increase the production?

Mr. O'NEAL. Yes, sir.

Mr. PATMAN. You have to leave it to somebody.

Mr. O'NEAL. Put a mandate on him to do that.

Mr. PATMAN. The Food Administrator?

Mr. O'NEAL. The Food Administrator; that is what I said.

Mr. PATMAN. Yes, sir.

The CHAIRMAN. That is what you have in your amendment.

Mr. O'NEAL. That is correct.

Mr. PATMAN. I think that would be a pretty good standard.

Mr. FORD. Let us consider that from another angle. Assuming that is true, he is figuring the price that the farmer is going to get. Now, when the commodity gets out of the farmers' hands and comes into commerce and comes down to the retail floor what happens?

Mr. PATMAN. It is fixed there.

Mr. FORD. Not according to his theory.

Mr. PATMAN. Oh, yes; it will be.

Mr. FORD. How will it be fixed?

Mr. PATMAN. He is only fixing the price to the farmer.

Mr. FORD. I thought they were going to fix the price to the consumer.

Mr. PATMAN. The Office of Price Administration is the agency for that.

Mr. FORD. Suppose the Office of Price Administration puts a price there below what you ask. What would you do about that?

Mr. PATMAN. It would be corrected. They do that and have done that in some cases.

Mr. O'NEAL. We offered an amendment to take care of that situation, the Food Administrator would be the control just as Mr. Hoover was in the last World War.

Mr. FORD. Let's see what you are driving at; you want as the first step, the price that the farmer gets placed in the hands of one man, following the mandate of the law; is that right?

Mr. O'NEAL. It is food, isn't it?

Mr. FORD. That is right. I am talking about these agricultural products, which is a general thing; food, and fiber, and everything else.

Mr. O'NEAL. Yes.

Mr. FORD. All right. When he gets through it goes into commerce. How are you going to control it after it gets into commerce.

Mr. PATMAN. Let him control it.

Mr. FORD. Then he is going to take care of the retail angle?

Mr. PATMAN. Yes.

Mr. FORD. I see. Then, in other words, you are substituting a Food Administrator for the O. P. A. price control. Then you would abolish the O. P. A.?

Mr. PATMAN. No. Just for food. In other words, that is so important, food is so important, that one person should have control of it and give him control from the farmer, from production, to the consumer all the way down the line.

Mr. FORD. I supposed you said that we have an administrator strictly for raw production of food.

Mr. PATMAN. No; just for food.

Mr. FORD. Just for food, so that there is a fair price paid to the farmer. Nobody objects to that. They want the farmer to get a fair price. Farming is a basic industry in this country and after all is said and done, we all realize that. Then you have another factor in that. You have the fiber.

Mr. PATMAN. That is not food; you are talking about something else.

Mr. FORD. All right. Just a minute. Then to be logical you ought to put that under one man and let him control. Then when you come to retail prices up above you probably want to put that under one-man control.

Mr. PATMAN. Fiber, that is durable goods. You are going into a big field there.

Mr. FORD. There is trouble enough on fibers, too. You ought to see my letters on that. I have people dealing in that. You ought to see what they want. You cannot get out of it without having those three steps if you want control effectively, and I think, if you are going to do that, you are going to have to take the price-control law and completely scrap it and draw a new law.

Mr. PATMAN. No; just a little amendment in this bill placing all prices of food from the producer to the consumer in a food administrator and just take it out of the Price Administration entirely, because now it is a dual responsibility and it is not sensible to place it in two agencies. It has resulted in buck passing for months on the meat business and it can result in the same in other things. Congress is responsible for doing it, since we made a mistake, and we should correct it. We can start now by putting all food in one person or agency.

The CHAIRMAN. Let me interrupt you just one minute to read the provisions of the last Price Control Act which bears directly on the proposition we are discussing now, because it comes in connection with the limitation on the powers of the Price Administrator in fixing maximum prices on agricultural commodities. [Reading:]

*Provided*, That modifications shall be made in maximum prices established for any agricultural commodity and for commodities processed or manufactured in

whole or substantial part from any agricultural commodity, under regulations to be prescribed by the President, in any case where it appears that such modification is necessary to increase the production of such commodity for war purposes, or where by reason of increased labor or other costs to the producers of such agricultural commodity incurred since January 1, 1941, the maximum prices so established will not reflect such increased costs.

That is in the present law.

Mr. PATMAN. It is also the same in the present law to encourage production by subsidies. You have it there; read it.

Mr. WOLCOTT. That is subsection (e) of section 2 in the original law.

Mr. PATMAN. While he is finding that I want to make this point only.

Mr. O'NEAL. If you will allow me, I have drawn up a recommendation for the committee's consideration based on what the chairman just read. This amendment takes care of the thing Mr. Ford and you were talking about there [reading]:

Such modifications shall be made in maximum prices established under the Emergency Price Control Act of 1942, approved January 30, 1942 (Public Law No. 421, 77th Cong.), and an act to amend the Emergency Price Control Act of 1912 to aid in preventing inflation and for other purposes, approved October 2, 1942 (Public Law No. 729, 77th Cong.), for any agricultural commodity and for commodities processed or manufactured in whole or substantial part from any agricultural commodity, as the War Food Administrator determines are necessary to increase the production of such commodity for war purposes, or where by reason of increased labor or other costs to the producers of such agricultural commodity incurred since January 1, 1941, the maximum prices so established will not reflect such increased costs.

In other words, you have one man there charged with the entire responsibility. Now, let me answer Mr. Ford on that one angle that he brought out. They established a ceiling on potatoes. The papers are full of it. It is gratifying to the farmer who has been so neglected over the years to see now headlines in the paper. After the war news in every paper every day, morning, noon, and night you have a statement on agriculture and food. And I notice the Chicago papers, Miss Sumner, say the food parade instead of the Easter parade. Food is more valuable than dollars today, Mr. Patman, much more valuable, and you have been a great friend of the commodity dollar. Just the other day in the papers I read these new potatoes were coming in. There was a roll-back there in the cost of distribution. Now, the Food Administrator could cut some of these enormous costs of distribution to a degree and control the product produced on the farm right down to the market place.

Mr. Brown. I believe in controlling inflation, but at the same time it is just as important to obtain production of food for war purposes as it is to control inflation.

Miss SUMNER. One thing that bothers me. Of course, there are a lot of things, but this is a particular thing. When Mr. Henderson was here in the first instance he said he would be afraid to give a price rise on food products to the consumer because the farmer would not get it. Do you remember that? And then I was reading this morning in his article that he put in there about the World War situation and various histories about the control, price control of the past; he made a very strong point that once you raise farm products, increases in the distributing channels multiply, multiply by the amount of prices to the farmer, and he said that some of the price increases that incurred due to the rise in the cost of distributive channels, wages, handlers, and retailers that were put up and raised in 1919



early in the World War, he said that they never did come down, as I remember it. He said those same raises were still in existence in 1930, without the farmer getting any of it. Now, what about that? That is the thing that bothers me about this subsidy. In other words, you can put money in the railroads and distributive channels all you want, but that is not going to give you any more production. How are you going to be sure under this price system of a method by which you raise or try to increase production by raising prices; how are you going to be sure the producer gets it and increases his production?

Mr. O'NEAL. I agree with you, Miss Sumner. I just read this morning, talking about increases in agricultural prices, where railroad labor got their wages increased. That is going to cost everybody in this room something more on what you buy.

Miss SUMNER. Will it increase production?

Mr. O'NEAL. Well, the point I am making is you are exactly right. I think we have been very remiss in not striking at the enormous cost of distribution. I just want to ask you; we all have plain horse sense around here, I think, just take the paper and read the price on cattle today, Mr. Baldwin. The price of hogs; the price of sheep. Cattle are worth 18 cents. That is only top-grade cattle. Any ordinary man knows that good beef will dress 50 percent, at least, to figure simply; 17 cents, 18 cents, that is 36 cents a pound for beef. You go around here. I remember in my own day that the butcher in my little town when I was a farmer, I would take the stuff and he in those days would give me about a nickel a pound for my hogs. He would sell them for 10 cents or 12 cents a pound. He did well. He made enough money as a butcher to educate his children, and so forth, and he paid fair prices. Now, somehow or another in the process of going from the farm to the table the costs pile up, just pile up—up, up, up, and up. You are right on those distribution costs and the food administrator should have charge, as Mr. Patman says, and Mr. Brown says, right from the farm to the table.

I will tell you what I think, gentlemen, I am very honest with you. The farmers are greatly disturbed about this situation. They have plowed the earth. They will plant the earth. But orders come out one today and one tomorrow and one the next day. You gentlemen pass wonderful laws and the executive administrators do as they please and don't pay any attention to your law, and away you go. I am telling you, gentlemen, sitting around this table, we in this room are going to be hungry if this thing doesn't stop. That is what is going to happen. It is the durndest confusion you ever saw. Do you know we have less people on farms today than we ever had in 30-odd years? Sure we have. That has been reported again and again in discussing this farm problem.

Mr. PATMAN. Labor and machinery.

The CHAIRMAN. And fertilizers.

Mr. O'NEAL. Yes. I said to Senator Truman and I told the President in a conference on this thing, I said, "Mr. President, if you want food and if you want it harvested the farmer will plant it. They will plow. But we have to have farm machinery. Now, I know we want guns. We want tanks, and all these things. But we have got to have food to feed the men that make the tanks and fight with them afterward. Give them the machinery. Issue an order.



Get Donald Nelson in here and get the head of the Army procurement in here and get the head of the Navy in here. Tell the International Harvester Co. and Henry Ford and these men who manufacture farming machinery, 'Make it your major objective.' " I wish we could have men administering the food administration like Admiral Land. Admiral Land made a speech before the United States Chamber of Commerce meeting in which he said in order to get guns and in order to get tanks and in order to get ships for the war effort we went out and paid the price. He said, so far as he was concerned the policies he pursued in his youth were the same. So I'm telling you gentlemen, following up Admiral Land's theory, food is just as essential to win the war and we better straighten it out or we are going to be in bad shape.

Mr. PATMAN. Mr. O'Neal, in fairness to Mr. Nelson, he did double the quota on farm machinery.

Mr. O'NEAL. He really did.

Mr. PATMAN. I think now we cannot criticize the action of the War Production Board and Mr. Nelson too much in that case because first, you know that these ships come first, and these escort vessels and naval vessels and planes and tanks and guns. It is true we cannot do anything without food but they have got to look at the over-all picture.

Mr. O'NEAL. Assuredly.

Mr. PATMAN. Which they know and we do not know.

Mr. O'NEAL. Assuredly.

Mr. PATMAN. And we have just got to assume they are doing the right thing about it. Mr. Nelson demonstrated a very fine spirit in that direction when he ordered replacements parts for farming machinery.

Miss SUMNER. A year too late.

Mr. PATMAN. On the basis of 165 percent of last year, and then he doubled the quota of new machines. So that certainly was a long step in the right direction.

Mr. O'NEAL. Indeed it was, Mr. Patman, but it doesn't get the grub, you know.

Miss SUMNER. It was a year too late.

Mr. O'NEAL. It didn't get the grub.

Mr. PATMAN. But labor comes in there, too. You know we cannot fight the selective service and say you cannot have the men to fight in the war. We have got to win the war first.

Mr. O'NEAL. Sure.

Mr. PATMAN. It is true we have to have food to win the war, but at the same time we only have so much manpower and we have to look at the over-all picture again.

Mr. O'NEAL. Two years ago at the White House, I said, "Mr. President, I wish you would for God's sake recognize agriculture as a war industry. You all say you do but nobody does." We all have boys or relatives in the Army, shot up and all that. They've got to eat. Ask all these men who were over there in the Philippines.

Miss SUMNER. You know, talking to sailors, I just asked them what they had to eat. They said the food was fine. These were sailors who had come home. It was fine when they were on the seas, just as good as at home. It wasn't mother's cooking, of course, but they said down in these camps they just got one little piece of meat a day and they eat that with spaghetti. Our men are used to meat.

Mr. PATMAN. Here in the United States?

Miss SUMNER. Here in the United States.

Mr. PATMAN. I don't believe that.

Miss SUMNER. Our men are used to eating meat once a day.

Mr. PATMAN. I had dinner last night at one of the largest places in this Nation where men are sent and we had a fine meal. We were told by the man who had complete charge of that over the entire Nation that that same menu was in every Army camp in America last night.

Miss SUMNER. What does that prove? That does not disprove what I said, what this boy told me. Just because they gave you a fine meal doesn't mean that the usual meal wasn't only a piece of meat a day.

Mr. PATMAN. I am telling you the man who has charge over the entire Nation said every Army camp in America tonight is serving this same meal.

Mr. KUNKEL. I have only had two letters complaining about food in the Army.

Mr. PATMAN. I have not had one.

The CHAIRMAN. There was considerable complaint about waste in the Army camps.

Mr. PATMAN. There will always be waste.

The CHAIRMAN. There was waste there which I think was corrected. But I have some little experience; we have camps out in our part of the country and I enjoy getting to these places where you can get a good meal. I think our boys, so far as I have been able to find out, have good food and I am glad of it. They ought to have it.

Miss SUMNER. They ought to get meat. That is what I am interested in. They ought to get meat if you want to make vigorous soldiers.

Mr. PATMAN. I think they should have it. I think they do get it. And talking about waste, Mr. Chairman, just consider the waste of one family at home and multiply it several million times.

Miss SUMNER. I am not talking about waste.

Mr. PATMAN. I doubt that the amount of waste in the Army or in the military forces would be as much.

Miss SUMNER. I am not talking about waste.

Mr. BALDWIN. In the price of corn where the O. P. A. set up a ceiling of \$1.05 was there any subsidy in addition to that?

Mr. O'NEAL. You see, the corn farmer does not get that. He has to be paid.

Mr. BALDWIN. I know, but the point I am making, how and by what formula? How could any price administrator arrive at that fair price? Don't you feel that there is enough information that you can justify that you have in every farm group and every agricultural college or agency in this country that could present it from a disinterested standpoint to the Office of Price Administration to prove to them that the \$1.05 for corn is way below the cost of production and that you could easily have the figures available to show them what it should be to even just make a fair return? That wouldn't be much trouble.

Mr. O'NEAL. We have done it.

Mr. BALDWIN. I mean the question was raised how could we do it.

Mr. O'NEAL. Oh, easy.

Mr. BALDWIN. It could be easily done?

Mr. O'NEAL. Easily done. It could be easily done.

Mr. SPENCE. Mr. O'Neal, in addition to having subsidies you believe there ought to be a general raising of the ceiling?

Mr. O'NEAL. There would be no need of subsidies in most cases if prices were permitted to rise to a fair level.

Mr. SPENCE. What objection would there be to that? Do they claim that will weaken the mechanism of price control when you raise the ceilings and that it will get out of control?

Mr. O'NEAL. We have had the argument they use, as I have said in my statement, they use the farmer as the whipping boy for organized labor. They said if food prices rise we will have a rise in wages. I asked Mr. Byrnes, he is the Economic Stabilization man, to give me a report how much wages have risen. I have this table here which I wish was big enough to show you, but here is a chart that Elmer Davis of the O. W. I. made up showing there the increased cost of living and the increased cost of wages. I do not know whether you have seen it or not but I believe the cost of living has gone up about 19 percent and the weekly wages about 65 percent. In other words, the increase, Mr. Spence, in a few agricultural commodities was just a mere bagatelle. There has been no control of wages.

Mr. SPENCE. You accomplish exactly the same purpose if your agricultural commodities would go to a ceiling that was made a little higher as you do by a subsidy, don't you, for all practical purposes?

Mr. O'NEAL. Yes.

Mr. SPENCE. It strikes me that that would be the simplest way to meet the problem.

Mr. O'NEAL. That is right.

Mr. SPENCE. Now, then, I want to know what are the objections to that? Do the price control organizations say that it will weaken the mechanism of price control if you let prices go a little way toward the ceiling and that they will get out of control and go through it? What is the objection?

Mr. O'NEAL. They all say the objection is if we do not control agricultural prices wages will go wild. If you think, right now around this table, that John L. Lewis isn't going to win this fight—why, it is already won.

The CHAIRMAN. That is the reason for the veto of the bill.

Mr. O'NEAL. Yes.

The CHAIRMAN. It prohibited the use of subsidies to lift the prices from ceiling prices to parity prices and since then we know what has happened in different places. What is happening with the railroad situation? I don't think that the wages of railroad employees and salaries is the only problem of the railroads. We have been taxing the people of this country to pay rates on the watered stock of railroads from time immemorial, almost.

Mr. SPENCE. In fact, they are either going to pay directly or by taxation the little rise in prices of agricultural commodities and it ought to have no effect any other way.

Mr. O'NEAL. That is right. And you are not going to cause any inflation. Look at agriculture and its proportion of the national income today.

The CHAIRMAN. That is the answer.

Mr. O'NEAL. There's the answer. Just like that Delaware poultryman who had thousands of hens laying eggs said, "\$1.40 for corn wouldn't bother me a minute, if I could get the corn." In other words, if you take the ceilings on poultry and let them go up and have no ceilings on hogs and no ceilings on beef; in other words, my dear friends, those items are just a bagatelle compared to the



income of the American people as a whole. All you got to do is to look at this thing.

The CHAIRMAN. Put that chart in the record, Mr. O'Neal.

Mr. O'NEAL. Yes, that is what I would like to do.

Mr. SPENCE. The subsidy is a mere camouflage of your purpose?

Mr. O'NEAL. That is all.

Mr. WOLCOTT. I do not know whether this is a proper question to ask, Mr. O'Neal, but I want to make an observation which you might comment upon. You suggested that all of the provisions of law, existing law and those which we might enact in respect to agricultural products be turned over to a single individual for administration. I believe we have given the President the power to transfer the functions of the O. P. A. to the food administrator and he could transfer any administrative function of the Department of Agriculture to the Office of Price Administration and we have given him broad authority to do almost anything he wants to do in respect to the organization of the departments and the functions of the departments. Now, if we have already done that, as I understand we have, do you think it would be advisable for us to pass an act establishing a policy in that respect for his guidance and instruction?

Mr. O'NEAL. I think, Mr. Wolcott, when he addressed your Congress he promised you that he would give you the authority as under the Constitution the Congress has to lay down the rules and regulations; didn't he, in the opening session of this new Congress?

Mr. WOLCOTT. Yes.

Mr. O'NEAL. And I would say I want to compliment your committee. I never saw a more complete legal compendium and summary in your record of the hearings here of all the acts affecting the Commodity Credit Corporation. That is the most far-reaching thing I ever saw.

Mr. WOLCOTT. In these hearings?

Mr. O'NEAL. In these hearings.

Mr. WOLCOTT. I think you have to thank Mr. Shields for that.

Mr. O'NEAL. I think Mr. Shields certainly deserves more thanks because that is as complete a compilation as I ever saw.

Mr. WOLCOTT. The point is, haven't we delegated to the President the authority to concentrate all power in respect to the agricultural production and prices of agricultural products from the producers to the consumer under one head? I think we have.

Mr. O'NEAL. You really have, in a way, except you have an exception there, you know, in regard to the Office of Price Administration and the Secretary of Agriculture. They act as a check against each other. The Secretary of Agriculture had fundamental authority there to fix or establish parity prices and then he was to carry that out. Now, then, as I understand it, if there is a dispute they go down to Mr. Byrnes and he settles the dispute.

Mr. WOLCOTT. Now, we anticipate, that is, we have a right to anticipate that within the next few weeks there is going to be a disintegration of the functions of the Office of Price Administration. We have given the Office of Price Administration a breathing spell here to get itself on its feet and to function. But it is becoming more complex every day and more confusing every day. So I think many of us see the O. P. A. as an organization and as a functioning unit on the way out and that their jurisdiction over agricultural products, over oil and gasoline, and over strategic materials and over prices in general are



going to be transferred to those whom the President has designated as the overlords of these particular subjects. At the present time Mr. Brown, as I see the situation, has no sphere in which he can operate independently. For example, he cannot touch agricultural prices unless he clears through Mr. Davis. He cannot touch oil or gasoline unless he clears through Mr. Ickes. He cannot touch the prices of any strategic materials unless he clears through the War Production. There is also one other activity which I do not have in mind at the moment. But anyway, it seems to me that Mr. Brown at the present time is the front. He has got his chin out. The poor man is having it knocked down for not alone his own ills of administration, not so much for the deficiencies in his organization but for the deficiencies in the organizations which are restricting his activity. And for that reason I think we have a right to assume these functions of O. P. A. are going to be distributed throughout these other agencies. Now, it is assumed the President has authority to split up the O. P. A. and diversify its functions under these separate heads. Are you of the opinion he has that authority?

Mr. O'NEAL. I think he has, judging by what he has done in the past.

Mr. WOLCOTT. If he has the authority now and if we want to accomplish what you have suggested in respect to one head what action do you think we should take?

Mr. O'NEAL. I think we should do this. I think that the President won't do this unless you Members of Congress write it into law and that is exactly what I hope you will do. In other words, under the Constitution, thinking of the people and considering the situation as you are, this is the time for Congress to assert itself. I want to congratulate you. You have shown you are thinking on some very fundamental issues.

Mr. WOLCOTT. To sum it all up, inasmuch as the executive branch of Government has failed to carry out the purposes expressed in legislation you feel that the Congress now should take unto itself the responsibility of putting in more definite language in words of one or two syllables so that even the executive branch of Government can understand the purpose of Congress and insist upon enforcement of the acts in accordance with the clear intent of Congress?

Mr. O'NEAL. I certainly do. I agree with you 100 percent.

Miss SUMNER. Mr. O'Neal, time and again it has come to my attention some price was wrong in getting production because the industry was not called in. I think that the reason that this thing has failed with O. P. A. is they did not understand what kind of prices you have to have to get production. Certainly they did not know anything about cattle. Now, do you think that it will be sufficient simply to have a provision of the kind that has been mentioned here putting all the food under the control of one food administrator without some provision saying there should be consultation with the food industry?

Mr. O'NEAL. Well, I agree with you, Miss Sumner. They had a hearing over there at the Senate committee and they had Prentiss O. Brown. He said he had expert advice. They asked him who his experts were. They were all economists and lawyers and no practical men. I have noted that labor has an advisory committee consisting of Mr. Murray and Mr. Green and I think Mr. Harrison.

Mr. WOLCOTT. Is Galbraeth his advisor?

Miss SUMNER. W. B. Gilbert.

Mr. O'NEAL. Galbraeth is his chief economist.

Miss SUMNER. W. P. Gilbert is a chief economist.

Mr. O'NEAL. Gilbert? Mr. Henderson and Mr. Brown should have called in practical men and given them authority to handle the problems with which they are familiar.

Mr. WOLCOTT. Mr. O'Neal, aren't you on Justice Byrnes' Board of Economic Stabilization?

Mr. O'NEAL. I sit there, Mr. Wolcott, yes.

Mr. WOLCOTT. What have you as a member of that Board got to do with the establishment of any policies?

Mr. O'NEAL. Mr. Byrnes is a very able gentleman. He calls us over there and tells us what he has done. I will tell you of my experience over the years. I think President Harding put me on the first advisory committee I was ever on. I was on one with Mr. Coolidge and one with Mr. Hoover. I have been on several. The President has honored me very much. But the trouble about advisory committees they sit there and tell you what they have done after they have done it. But I will say there was one exception. I was present down there when they had this meeting. I have not attended all the meetings and there may be other exceptions. On this occasion we were asked to express ourselves on the proposal to ration shoes. I said, "I am not very much interested in that but if you think it will conserve leather and manpower it is all right." I put my feet on the table and told them I have a pair that I have had for 12 years so I am not very much interested in rationing shoes. But as a rule you just sit there.

Mr. WOLCOTT. Mr. O'Neal, if you were a member of that board and that board was an administrative board then you would have a check at least upon the directive, would you not?

Mr. O'NEAL. Yes, sir.

Mr. WOLCOTT. Don't you think it would be an advisable thing to set up behind some of the czars some sort of administrative board to which the people might go for redress for many of their alleged wrongs?

Mr. O'NEAL. It would be very fine indeed and not only as to the after part but in the formulation of policies. I will say this for Mr. Nelson. He has been very fine in the War Production Board. He has called in and consulted with producers. Take this farm machinery we are talking about before. He was helpless. Everybody knew he was helpless because as Mr. Patman said, you have to have ships and you have to have guns, and so forth. But I will say this, Mr. Nelson certainly advocated with the War and Navy Departments that we had to have farming machinery. Now, I think in an instance like that certainly the administrator should be mandated to call in representatives or producers to give him the sound bases and study of a program.

Mr. WOLCOTT. If your Economic Stabilization Board was an administrative board it would be only natural that Justice Byrnes would consult with you before he made any directive in determining your attitude toward his directive, wouldn't he?

Mr. O'NEAL. Yes, sir.

Miss SUMNER. Mr. O'Neal, referring again to this man, Gilbert, who according to the newspapers and according to the Director is an economic adviser of the O. P. R., has your attention ever been called to his book which was written by him in collaboration with four or five

other economists, a small book called, as I recall it, Economic Program for American Democracy? I hope you get that book. It is in the library. I have a copy of it. You can have it. It has a reference to farmers and their attitude, and their attitude toward them is particularly enlightening. They want the Government to take over all the farm land and put the title in the hands of tenants and gradually pay back to the Government, which, of course, as you and I know, would depend on what the price of farm products were as to whether they would ever be able to get out of that particular kind of tenantry or not.

Mr. O'NEAL. Is he one of the Socialists? There are so many of them around here. Is he one of them?

Miss SUMNER. The name is the same, and I was informed that the two persons are identical, the author of that book and the economist.

Mr. O'NEAL. Is that so?

The CHAIRMAN. Mr. O'Neal, we are always glad to have you before the committee. Thank you for your attendance.

Mr. O'NEAL. I appreciate very much your courtesy. Can I put some tables in the record?

The CHAIRMAN. Yes; the committee will now adjourn to tomorrow morning at 10:30 a. m.

(Whereupon the committee adjourned to Friday, May 28, 1943, at 10:30 a. m.)

(The above-referred-to tables follow:)

#### FARM INCOME AND LABOR'S INCOME COMPARED

The table below tells a significant story of labor's gain and agriculture's loss in this World War compared with the last. More graphically than words the figures show agriculture's shrinking share in the national income.

In 1918 agriculture's net of the national income was nearly 17 percent; the farmer's share last year was only 9 percent.

National income jumped from 53 billion in 1917 to 113 billion in 1942, and non-farm income skyrocketed from 45 billion to 102 billion but net farm income advanced not quite 1 billion over the top war year.

Hourly earnings of factory workers have more than doubled in the same period, rising from 193 percent of the 1910-14 base in 1918 to 401 percent in 1942.<sup>1</sup>

The farm price index in 1918 was 202, rose to 213 in 1919, but last year was still only 157 of the 1910-14 base. Averagely farm prices are thus about 25 percent less than in the last war. Meanwhile, farm wages are already higher than in the last war, though not quite at the peak reached in 1920.

#### *Comparison of wage income and farm prices, farm income and nonfarm income during World War I and World War II periods*

[Index based on 1910-14 average of 100]

Year	Hourly earnings factory workers	Prices received by farmers	Farm wages	National income (million dollars)	Net income to persons on farms from farming	Non-farm income (million dollars)
1917	147	175	141	53,360	8,329	45,031
1918	193	202	177	58,121	9,660	48,461
1919	225	213	207	66,136	9,877	56,259
1920	273	211	242	73,353	8,368	65,025
1939	304	92	123	71,043	5,174	69,869
1940	316	98	126	78,037	5,386	72,651
1941	347	122	154	92,397	7,591	84,806
1942	401	157	201	113,070	10,850	102,200
1942, November	424	169	220			
1942, December	(1)	178	223			
1943, January	(1)	182	232			

<sup>1</sup> Figures not yet available.

Source: Bureau of Agricultural Economics.

## WAR FACTS

## PRICES AND INCOME

January 1941 to January 1943:

Cost of living up .....	Percent
Weekly wages up .....	19.9
	65.0

*Cost of living*

## COST OF GOODS PURCHASED IN LARGE CITIES

	Percentage of increase			
	January 1943 to February 1943	May 1942 to February 1943	February 1942 to February 1943	February 1941 to February 1943
Combined index .....	0.2	4.2	7.1	19.9
Components:				
Food .....	0.5	9.9	14.4	36.5
Clothing .....	None	-0.2	5.8	25.4
Rent <sup>1</sup> .....	None	-1.7	-0.6	2.8
Fuel, electricity, and ice .....	-0.2	2.1	2.6	6.5
House furnishings .....	0.2	1.4	3.5	23.4
Miscellaneous <sup>2</sup> .....	0.4	2.3	3.7	11.4

## COST OF GOODS USED BY FARM FAMILIES

Combined index .....	1.2	7.8	12.2	35.2
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<sup>1</sup> Since this component has a small monthly variation, it will be surveyed quarterly. The percentage of change is measured to December 1942.

<sup>2</sup> Includes transportation, recreation, personal care, household operation, and medical care.

—Decrease. Source: BLS.

[Components—Quarterly]  
[Latest figures—December 1942]

	Percentage of increase			
	September 1942 to December 1942	June 1942 to December 1942	December 1941 to December 1942	December 1940 to December 1942
Combined index .....	3.2	5.2	13.3	32.8
Components: <sup>1</sup>				
Food .....	4.1	4.9	17.1	39.8
Clothing .....	3.4	7.1	17.5	42.5
House furnishings .....	3.5	8.0	12.1	29.4
Building materials .....	0.5	1.6	4.4	14.6
Operating expenses <sup>2</sup> .....	None	1.7	3.5	12.4

<sup>1</sup> Automobile (share for living) not shown separately but included in combined index.

<sup>2</sup> Includes household operation, gasoline, tires, oil for automobiles, and kerosene.

Source: Bureau of Agricultural Economics.



*Wholesale prices*

	Percentage of increase			
	January 1943 to February 1943	May 1942 to February 1943	February 1942 to February 1943	February 1941 to February 1943
All commodities.....	0.6	3.7	6.0	27.2
Commodities excluding farm products and foods.....	0.2	0.5	1.4	14.0
Farm products.....	1.7	14.0	17.5	69.3
Foods.....	0.6	7.0	11.8	43.9

Source: BLS.

*Income payments*

	Annual rate in billions of dollars			
	February 1943	January 1943	February 1942	February 1941
Total income payments <sup>1</sup> .....	\$134.9	<sup>2</sup> \$131.8	\$105.7	\$83.0
Nonagricultural income.....	118.1	<sup>2</sup> 116.0	94.7	76.2
Agricultural income <sup>3</sup> .....	16.8	<sup>2</sup> 15.8	11.0	6.8

<sup>1</sup> Total income payments include salaries, wages, dividends, interest, entrepreneurial income, net rents, royalties, and relief and insurance payments. The rate is adjusted for seasonal variation. The series has been revised back to January 1939.

<sup>2</sup> Revised.

<sup>3</sup> Includes net income of farm operators, wages of farm labor, and interest and net rents on agricultural property.

Source: Department of Commerce.

*Munitions production index*

	November 1941=100
January 1942.....	163
January 1943.....	p 457
February.....	p 492

*War construction*

	June 1940 to Jan. 31, 1943	(Millions of dollars)
Government-financed:		
Commitments for nonindustrial construction.....		\$15,957
Commitments for industrial facilities expansion.....		14,019

*Program commitments—expenditures: Cumulative from June 1940*

[Billions of dollars]

	Feb. 28, 1943	Jan. 31, 1943
War program.....	p \$239.0	p \$238.4
Commitments.....	( <sup>1</sup> )	p 190.1
Expenditures.....	\$0.5	74.5

<sup>1</sup> Not available.

p Preliminary.

*Manpower*  
[Millions of persons]

	Feb. 1943	Feb. 1942
Labor force.....	52.3	53.4
Employed.....	50.9	49.4
Unemployed.....	1.4	4.0

For additional information on Munitions Production Index and War Construction, see Victory, March 17, 1943, p. 322; for Program—Commitments—Expenditures, see issue of Mar. 24, 1943, p. 338; for Manpower, see issue of Mar. 31, 1943, p. 362.

*Index comparisons of factory worker earnings, farm prices, retail food costs,  
and cost of living*

[Index base, 1910-14=100]

	1910-14	Jan. 1941	Sept. 1941	May 1942	Sept. 1942	Feb. 1943
Hourly earnings factory workers.....	100	328.4	359.5	401.4	428.7	444.3
Weekly earnings factory workers.....	100	241.7	276.4	315.8	346.3	367.1
Prices received by farmers.....	100	104	139	152	163	178
Retail food costs.....	100	126.2	142.8	156.9	163.4	172.4
Cost of living.....	100	146.1	156.7	168.1	170.7	175.2

Source: Bureau of Agricultural Economics, Department of Agriculture.

The above data shows that from May 15, 1942, the date to which organized labor demands prices be rolled back, to February 15, 1943, the last date on which comparisons are available, that:

	Percent
Cost of living increased.....	4.2
Weekly earning per factory worker increased.....	16.2
Hourly earnings per factory worker increased.....	10.6
Retail food prices increased.....	9.8
Prices received by farmers increased.....	17.1

*Apr. 15, 1943, prices, basic commodities*

Commodity	Average price to farmers	Parity price	Actual price as percentage of parity
Corn.....	\$1.00	\$1.04	96
Wheat.....	1.22	1.43	85
Rice.....	1.82	1.31	-----
Cotton.....	20.13	20.09	100
Tobacco.....	16	14	116

*Prices received by farmers for specific commodities, Dec. 15, 1919, and 1942, and parity prices, Dec. 15, 1942*

Commodity	Unit	Farm price		Parity price Dec. 15, 1942
		Dec. 15, 1919	Dec. 15, 1942	
		<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Wheat.....	Bushel.....	2.234	1.103	1.379
Corn.....	Bushel.....	1.374	.802	1.002
Oats.....	Bushel.....	.743	.474	.622
Barley.....	Bushel.....	1.254	.622	.966
Rye.....	Bushel.....	1.428	.563	1.123
Rice.....	Bushel.....	2.280	1.624	1.268
Buckwheat.....	Bushel.....	1.484	.796	1.139
Flaxseed.....	Bushel.....	4.36	2.36	2.64
Cotton.....	Pound.....	.3570	.1955	.1934
Cottonseed.....	Ton.....	64.97	44.72	35.18
Potatoes.....	Bushel.....	1.690	1.118	1.127
Sweet potatoes.....	Bushel.....	1.356	1.103	1.370
Hay, all.....	Ton.....	20.00	10.46	18.52
Peanuts.....	Pound.....	.0910	.0619	.0749
Apples.....	Bushel.....	2.09	1.43	1.50
Hogs.....	Hundredweight.....	12.39	13.27	11.34
Beef cattle.....	Hundredweight.....	9.01	11.43	8.46
Veal calves.....	Hundredweight.....	12.58	13.14	10.53
Lambs.....	Hundredweight.....	12.07	12.51	9.17
Butterfat.....	Pound.....	.633	.489	1.449
Chickens.....	Pound.....	.220	.205	.178
Eggs.....	Dozen.....	.696	.397	1.412
Wool.....	Pound.....	.516	.397	.285

<sup>1</sup> Adjusted for seasonal variation.

TABLE B.—*Prices received by farmers for specified products, United States, Jan. 15, 1920 and 1943*

Commodity	Unit	Jan. 15, 1920	Jan. 15, 1943	Commodity	Unit	Jan. 15, 1920	Jan. 15, 1943
		<i>Dollars</i>	<i>Dollars</i>			<i>Dollars</i>	<i>Dollars</i>
Wheat.....	Bu.....	2.338	1.175	Hay.....	Ton.....	21.16	11.20
Corn.....	Bu.....	1.436	.880	Peanuts.....	Lb.....	.099	.0623
Oats.....	Bu.....	.804	.525	Apples.....	Bu.....	2.16	1.60
Barley.....	Bu.....	1.336	.683	Hogs.....	Cwt.....	13.34	14.07
Rye.....	Bu.....	1.534	.613	Beef cattle.....	Cwt.....	9.39	11.78
Rice.....	Bu.....	2.870	1.742	Veal calves.....	Cwt.....	12.86	13.60
Flaxseed.....	Bu.....	4.45	2.49	Lambs.....	Cwt.....	13.25	13.04
Soybeans.....	Bu.....	3.76	1.59	Butterfat.....	Lb.....	.618	.496
Beans, dry, edible.....	Cwt.....	7.05	5.25	Milk, wholesale.....	Cwt.....	3.66	3.02
Cotton.....	Lb.....	.361	.1974	Chickens, live.....	Lb.....	.233	.221
Cottonseed.....	Ton.....	63.11	44.34	Turkeys, live.....	Lb.....	.320	.320
Potatoes.....	Bu.....	1.981	1.178	Eggs.....	Doz.....	.609	.300
Sweetpotatoes.....	Bu.....	1.511	1.214	Wool.....	Lb.....	.533	.395

<sup>1</sup> Louisiana rice. United States price not available.

<sup>2</sup> Preliminary.

Division of Statistical and Historical Research, Bureau of Agricultural Economics.

TABLE C.—*Wage income per employed industrial worker and retail food costs per nonfarm family, United States, 1917-42*<sup>1</sup>

Year	Average wage per employed industrial worker <sup>2</sup>	Retail cost of food per nonfarm family <sup>3</sup>	Ratio food cost per family to income per employed industrial worker <sup>4</sup>	Farmers' share of consumer food dollar <sup>5</sup>	Year	Average wage per employed industrial worker <sup>2</sup>	Retail cost of food per nonfarm family <sup>3</sup>	Ratio food cost per family to income per employed industrial worker <sup>4</sup>	Farmers' share of consumer food dollar <sup>5</sup>
			Percent	Percent				Percent	Percent
1917.....	\$818	\$477	58	60	1932.....	\$929	\$353	38	33
1918.....	1,064	548	52	58	1933.....	900	343	38	35
1919.....	1,188	611	51	57	1934.....	983	382	39	37
1920.....	1,141	688	49	53	1935.....	1,057	409	39	42
1921.....	1,234	523	42	44	1936.....	1,129	413	37	44
1922.....	1,182	489	41	45	1937.....	1,217	429	35	45
1923.....	1,244	506	40	45	1938.....	1,131	399	35	40
1924.....	1,273	501	39	45	1939.....	1,203	388	32	41
1925.....	1,293	542	42	48	1940.....	1,270	394	31	42
1926.....	1,318	560	42	48	1941.....	1,489	430	29	48
1927.....	1,311	539	41	47	1942 <sup>6</sup> .....	1,830	505	28	53
1928.....	1,323	533	40	48	December:				
1929.....	1,334	540	40	47	1941.....	1,628	461	28	52
1930.....	1,249	514	41	44	1942 <sup>6</sup> .....	2,023	541	27	55
1931.....	1,129	424	38	38					

<sup>1</sup> It is believed the foregoing table is the one the chairman was referring to in his request. With respect to estimates of food costs relative to industrial workers' earnings and nonfarm family income from 1917 to date, however, there are no really satisfactory estimates which can be supplied.

<sup>2</sup> Per employed worker in manufacturing, mining, and class I railroads.

<sup>3</sup> The Marketing and Transportation Situation June 1942, September-October 1942, and January 1943.

<sup>4</sup> Computed by use of data in preceding two columns.

<sup>5</sup> Preliminary.

<sup>6</sup> Annual rate computed by use of seasonally adjusted employment and pay-roll data.

All nonfarm families 22 percent.

*Comparisons of farm prices and industrial wage rates and weekly income with last war and with 1910-14 base period*

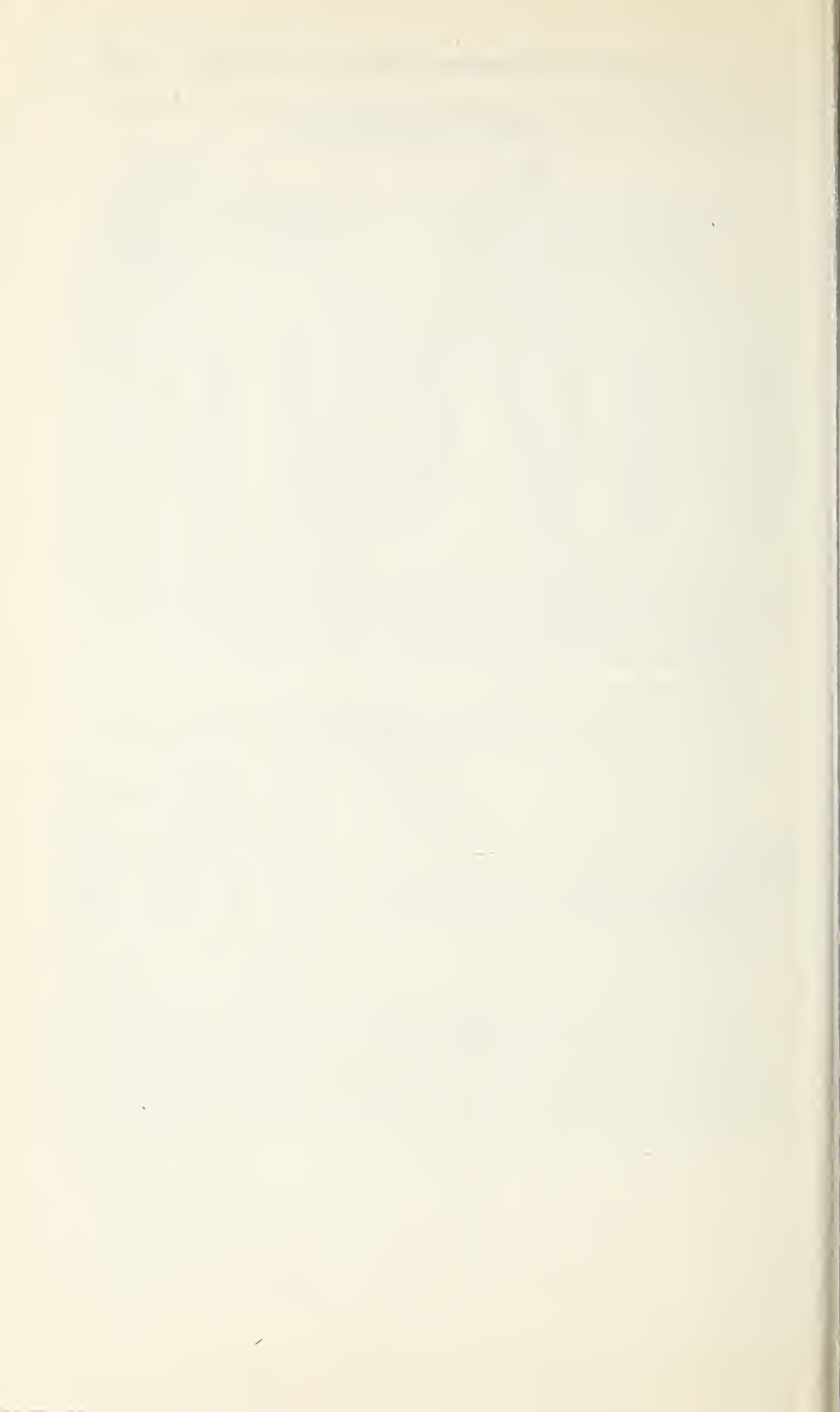
	1910-14	Peak of First War	January 1943
Farm prices.....	100	202	182
Factory workers:			
Hourly Earnings.....	100	193	441
Weekly wage income.....	100	182	377
Percentage of industrial worker's family income spent for food.....		58	128
Percentage of all nonfarm family income spent for food.....	31	38	122

<sup>1</sup> Lowest on record.

On January 21, 1943, Secretary of Agriculture Wickard said:

"The retail cost of food now represents the smallest share of the industrial worker's income on record. Industrial workers include factory, railroad, and mining workers. According to data available for the first 11 months of 1942 the cost of food for the average industrial worker's family amounted to 28 percent of the worker's earnings—a record low in relation to income. The facts show that while the earnings of industrial workers have been on the rise, the share of this income which went for food has been decreasing, reaching an all-time low in 1942. His average earnings have increased from \$1,489 in 1941 to \$1,830 in 1942."





## CONTINUANCE OF COMMODITY CREDIT CORPORATION

FRIDAY, MAY 28, 1943

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met at 10:30 a. m., Hon. Henry B. Steagall (chairman), presiding.

The CHAIRMAN. The committee will come to order.

Mr. PATMAN. Mr. Chairman, I wish you would ask the clerk of the committee to get the attorney for our committee up here. I want to ask him to draw two amendments: (1) Putting food under Mr. Davis for distribution, prices and everything under the Food Administrator. The other amendment to put oil, petroleum, and oil products including distribution, production, prices, and everything else under Mr. Ickes, and leave the enforcement of each to the Department of Justice. I want to make this statement so the committee would know about the amendments.

Mr. FORD. Do you contemplate abolishing the Office of Price Administration?

Mr. PATMAN. No, just taking that part of O. P. A.'s duties or functions away. The Office of Price Administration has plenty to do without those two items. Food and oil are so essential to the successful prosecution of the war I think we are justified in taking them away from O. P. A.

Mr. FORD. And what would be the O. P. A.'s connection with respect to food and retail prices?

Mr. PATMAN. It would not be connected with that.

Mr. FORD. You would put the whole thing, retail prices and all under Mr. Davis?

Mr. PATMAN. Yes.

Mr. FORD. Do you think he wants to shoulder that burden?

Mr. PATMAN. I don't know but it should be under one person. He has taken a job and if he does not want that, why, then it is for him to say.

The CHAIRMAN. Of course, the draftsman will be available. But there is no better draftsman than you are.

Mr. KEAN. Mr. Chairman, I understand from listening to the discussion of the committee that in all probability the committee feel that these sums that are expended by the Board of Economic Warfare and such should not be chargeable to the Commodity Credit Corporation but if we do not put in such an amendment and we are in a position where the Board of Economic Warfare could order them to spend any money that they want for their purposes we ought to hear something from the Board of Economic Warfare. If we are going to put in that amendment there is no reason to hear from them.

The CHAIRMAN. Members of the committee, we have before us two representatives, one from the Grange and one from the Farmers' Union, and I suggest that we first try to conclude the hearings by hearing them and I really think when we hear these two gentlemen we will be pretty well prepared to take up this bill in executive session. But I am not foreclosing your suggestion at all.

Mr. KEAN. May I say off the record the reason I mention that?

#### STATEMENT OF ALBERT S. GOSS, MASTER, THE NATIONAL GRANGE

The CHAIRMAN. Gentlemen, I am sure you all know Mr. Albert S. Goss, who is the master of the National Grange and who is well known to you and throughout the United States.

We are delighted to have you with us and if you wish to proceed without any interruption the committee will be glad for you to do so and after that the members may desire to interrogate you. I suggest to the members that he be permitted to conclude his statement so that it may so appear in the record for the benefit of those who may want to read the hearings. You may proceed, Mr. Goss.

Mr. Goss. Thank you, Mr. Chairman, I would prefer it that way. We have furnished a mimeographed copy to the members so that they may make any notes where they may have questions. I will be glad to answer any of them that I can.

Mr. Chairman, H. R. 2725, relating to the Commodity Credit Corporation, has four main purposes. The first is to change the basis of taking inventories.

The second is to provide more funds.

The third is to extend the life of the Corporation.

The fourth is to provide for audit by the General Accounting Office.

We have no suggestion to make with reference to the method of taking inventories.

As to the life of the Corporation, we recognize that certain commitments have been provided by law for extending the life of the Steagall amendment to the post-war period as described in section 3 (a) of the bill; nevertheless, we doubt the wisdom of extending the life of the Corporation for more than 2 years. Congress can always extend it further whenever it desires to do so, and we believe it is best for Congress to look over the operations of any such emergency corporation, dealing in sums so vast, at least once in every 2 years to determine whether any changes in procedure are justified, and whether or not the life of the Corporation should be extended. If Congress determined not to extend its life, it is assumed that it would provide other means for meeting commitments made under its instructions.

The method provided for audit by the G. A. O. is unusual, but we believe it may provide a practical means for meeting the difficulties encountered when an operating corporation is subject to audit by an agency established to audit governmental expenditures. We believe it worth a trial.

As to the increase of \$1,000,000,000 in available funds, we have no way of determining the amount of money needed to carry on the buying, selling, or lending operations for which the Corporation was created. We assume that your committee will be guided by the estimates of the officers of the Corporation. We feel, however, that your

committee should give very careful consideration to the purposes for which money may be used, and we wish to direct our remarks to this phase of the problem. We strongly suspect that it is the plan to use a substantial portion of these funds for the payment of subsidies or for financing direct loss transactions which are tantamount to subsidies, since they show a definite and certain unrecoverable loss known at the time the transaction is initiated. We believe there is grave danger in embarking on such a policy on a large scale, and that restrictions should be written into the bill preventing certain types of practices which we wish to discuss in greater detail.

There are two major issues at stake, both of which are so far-reaching that they vitally affect our war efforts and the maintenance of a stable economy. We refer to the production of food and the prevention of inflation. These questions are so interrelated that it is impossible to discuss one without the other. If either is more important than the other, we would say that the production of food should claim our first consideration, for first we must eat. However, we will not take the time of your committee to discuss the importance of food, for you know all about it. It is regrettable, however, that the general public does not realize the precarious food situation we face if we fail to pursue policies designed to encourage maximum production.

#### INFLATION

There are two distinct schools of thought with reference to the control of inflation. One school favors establishing price ceilings, enforced by fines and penalties. The other advocates making use of economic forces by increasing production of goods and controlling purchasing power. The former is based on an economy of scarcity and requires a huge army of enforcement agents. The latter is based on an economy of abundance and is largely self-enforcing. The former is bureaucracy at the height of its glory. The latter is a decentralized approach to a tough problem.

Before we consider methods for the control of inflation, it would be well to consider the causes which bring it about. There are two chief causes of inflation. First, is the pressure of surplus income upon an inadequate supply of consumer goods. Second, is the loss of faith in the Government's ability to meet its obligations.

War Food Administrator Davis has given your committee some interesting figures on income and outgo through expenditures. A national income of \$140,000,000,000, less estimated taxes of 16 billions, leaves 124 billions in spending power. At present values, available consumer goods are estimated at 82 billions, leaving a gap of approximately 42 billions. There are numerous estimates of how much of this will go into savings, running from 15 to 25 billions. This leaves from 17 to 27 billion dollars of income in excess of consumer goods, all seeking an outlet.

Those following the first school of thought, including the Administration, propose to erect a price ceiling dam against this excess income, and thereby shut off the spending outlet. They reason that our economy was in fairly good balance on some given date, and they would freeze everything at that spot. They would thereby prevent any price rises in order to prevent inflation. This is fallacious reason-



ing, as all history has adequately demonstrated, for never have price ceilings prevented inflation over an extended period in the history of the world, although they have been tried hundreds of times.

The chief reason is that price ceilings ignore production costs and shut off the supply of goods. In wartime there are many items of cost which arise from war dislocation that cannot be controlled by any price ceiling method. On the farm we send our experienced young men to war and replace them with young boys and old men. We can control the wages by wage ceilings, but the substitutes do only half as much work and our labor cost is doubled. There are hundreds of uncontrollable war dislocation costs which force up the costs of consumer goods. When these costs bump into the ceilings, production is strangled, and the inflationary gap is increased. By bungling price control methods we have already created a lot of unnecessary food shortages and driven a lot of items into black markets, where the consumer is trimmed up right. It is now proposed to use subsidies to meet these war dislocation costs, so that production will not be strangled.

#### SUBSIDIES

We are opposed to the use of subsidies for such purposes because they will not work, for reasons which I shall set forth. We believe your committee should safeguard any money made available to the Commodity Credit Corporation against such dangerous use, and we will suggest how we believe this can be done. We are confident that there are practical ways to control inflation if we have the courage to use them, as we will explain.

First, however, we want to point out two or three more fallacies in the price control system as we have tried to operate it. There are more than 10,000 hamlets and crossroads in America, each with its own individual production and marketing characteristics. We go into the mountains of Montana, where costs are high, and we find miners and stockmen paying more for their food. The law of supply and demand has adjusted prices to costs. We go into the mountains of the Carolinas, where costs are low, and we find the people are paying low prices for their food. The law of supply and demand has again adjusted prices to costs. Both places are equally distant from the railroad. Under the O. P. A. they are forced into a common mold. It is an extreme example, but to a greater or less degree it is typical of what is attempted all over America. The production may not be large in an individual high cost area, but in the aggregate it is enormous, and this production is largely curtailed or destroyed by rigid price ceilings. No system of subsidies can be devised to meet the tens of thousands of conditions which prevail, and the daily changes which are occurring by reason of dislocation costs.

We have pointed out the enormous inflationary gap we now face. These are not static figures. They will get progressively worse. Assuming that we could dam a 15-billion-dollar flood, we must not forget that it is accumulating; that it will be 20 billions by summer, 25 billions by fall, and 40 or 50 billions a year from now. Holding it back by price ceilings and subsidies is a complete impossibility.

We should also mention that we have adopted a policy of adjusting wages to meet living costs. Actually wages have gone up approxi-

mately three and a half times as fast as living costs. These conditions are mentioned merely to point out the complete unworkability of a price ceiling system which you are now asked to bolster up by vast sums taken out of the Federal Treasury.

Now, to enumerate some of the reasons why we oppose subsidies and believe safeguards should be provided against their use:

First. They are inflationary and will defeat the purpose sought to be accomplished.

(a) Subsidies are paid from Federal funds which must be borrowed. About 80 percent is borrowed from banks and directly increases the surplus income to the extent of such borrowing, thus increasing the inflationary gap.

(b) Nothing will cause a greater loss of confidence in the financial soundness of our Government than to follow a policy of unwillingness to pay our bills as we go, as far as we can. In the days of our greatest national income, if America refuses to pay its food bill, but passes it on to future generations, it is clear that we are deliberately pursuing a policy that leads straight to bankruptcy. Every thinking person knows that such a policy long continued must result in a financial crash. The symptoms of loss of public confidence are all too plain in the statistics of bond-selling campaigns among individuals.

Second. Subsidies in lieu of fair prices will lead to post-war chaos. The goal of the present policy is to maintain a rigid price ceiling with the use of subsidies to meet the ever-increasing dislocation costs of production. As the war progresses, we will find it necessary to increase the subsidies and our price structure will become more unbalanced day by day. If we are to avoid bankruptcy, when the war is over we must balance our budget. When that day comes, subsidies will be the first thing to be cut off. Then one of two things will happen. Either farmers will have to get higher prices to meet their costs, or quit producing.

If we do not have the moral or political courage to pay the cost of our food bill during these days of billions of dollars of excess income and full employment, what chance would there be to raise food prices when men come back from the Army hunting jobs and income starts down?

The answer is, none whatever, and the result will be farm bankruptcy and chaos worse than that following the last war, which was, at least, not complicated by subsidies.

Third. Subsidies pass on to future generations costs which this generation should bear. It is almost axiomatic that we cannot fight a world war and raise our standards of living at the same time. But that is exactly what we are trying to do. How many of us are worse off financially than before the war started? For most of us our incomes have gone up far faster than our outgo, and we know very well that somebody has got to pay for the enormous destruction going on. Instead of facing the facts and paying the necessary increased living and operation costs (and you will not I am omitting actual war costs) we are insisting on passing these costs on to future generations, and are trying to live better today than ever. It is time we faced the facts. Would not the boys who are making the sacrifices and fighting the war be justified in saying: "We have shed

our blood and done so almost without pay, while you at home have prospered financially. Out of your earnings you have refused to pay your food bill. We will not pay it for you." If there is anything which would invite repudiation, it is a subsidy program such as is proposed.

Fourth. Subsidies lead to the dangerous doctrine of expecting the state to support its people. There was never a time when it was more necessary for the people to support the state than today; but seldom if ever have more people been willing to dodge the responsibility and let the state support them by straining its credit to the danger point.

Fifth. Subsidies lead to political control, and when once used, they are politically almost impossible to get rid of.

There are many reasons why subsidies are dangerous and should be avoided, but we will not encroach further on your time to enumerate them. If there were no better way, one might be excused for advocating subsidies, but there is a way which will work.

#### INFLATION CURE

The only way inflation has ever been cured is to bring supply and demand into balance. Where countries have been too weak to face the issue, and have tried a lot of expedients, to hold the support of the voters, economic law has eventually stepped in and solved the problem by reducing the purchasing power of money until there was little spending power left, and the supply then caught up with the demand. That is inflation. Inflation means making money so cheap it will not buy anything. It can be prevented by three or four constructive steps.

First, encourage the production of needed goods. There never was inflation where there was an abundant supply. Aside from the weather, three major factors control farm production: (a) an ample supply of labor, (b) adequate machinery and supplies, (c) a compensatory price.

You are concerned chiefly with price. The price must be sufficient to secure as much production as can be reasonably expected. If it is too low to attain this end, a support price may be necessary. It may be pertinent to point out the difference between a support price and a subsidy.

#### SUPPORT PRICES

Years ago we found out that unlimited competition often destroyed supply. We prohibited railroads from cutting rates to destructive levels. We set up control for minimum premiums for insurance companies. In other words, we set floors designed to prevent prices falling below cost in order to protect certain essential services from destruction. This was no subsidy. There was no element of gift in it. It was merely protection against a destructive practice.

When floors are placed under farm prices to prevent them going so low as to destroy production, the same principle is employed. This is a very different practice from paying out cash in order to hold prices down to the consumer. Usually a support price requires little expenditure. Its purpose is to bring prices into a reasonable economic balance or relationship. The very fact that the money is available frequently



stabilizes the market at an equitable level. Even when it becomes necessary actually to buy the commodity, the market usually adjusts itself, so that when the commodity is sold, no loss ensues. The purpose of a support price is to aid in bringing about a reasonable price relationship which may have been upset by unusual circumstances or some emergency. A support price does not develop an unbalanced price structure such as would lead to chaotic conditions following a subsidy program.

When a support price is used in connection with a ceiling which holds the normal market down and thereby makes the support price necessary, or when a support price is used to buy a commodity and sell it for less than the cost, such a support becomes a subsidy and takes on all the dangerous characteristics of a cash subsidy. That is a practice which has been employed by the Commodity Credit Corporation and one which should be prohibited by law. If there are some commodities where such a policy is justified by reason of special or unusual circumstances, this should be authorized by Congress. Congress should define or determine those circumstances and not someone who might want to use the subsidy to bolster up an unsound price-control experiment, or possibly for political purposes.

A support price which is necessary to secure production and which is not used in connection with a ceiling or other device in lieu of a fair price is sound.

#### ADJUST THE DEMAND TO FIT THE SUPPLY

If, after all reasonable steps have been taken to encourage production, and the supply will still not meet the demand, then the remedy is to adjust the demand to fit the supply. This can be done in two ways.

First. By syphoning off surplus income. Some of the surplus income would be already syphoned off by paying the cost of producing the food and other commodities people demand. The balance should be reached through taxation and forced savings. The savings should be such that the money stays saved until the war and the inflationary aftermath are over. Leaky savings merely serve to fool ourselves.

Second. By rationing, so that all may share equitably in the limited supply. Rationing which fails to cut the demand to fit the supply defeats its purpose. It is possible to ration so as to have a surplus and thereby largely control price. Thus economic law takes the place of an intricate system of price controls, margins, grades, and differentials, and about 90 percent of the regulatory work of a price-control administration could be dispensed with.

Your problem is how to use the Commodity Credit Corporation to bring out the maximum production of food, avoid inflation, and prevent abuse. Before making specific recommendations, we wish to point out that the Price Control Act of October 2 already points the way in large measure, if its mandates were strictly followed:

When the first Price Control Act was passed, early in 1942, a provision was included permitting the use of subsidies. After it had been in operation some months it became apparent that it was the intent of the Administrator of the Office of Price Administration to use subsidies in lieu of a fair price. Believing this to be a dangerously inflationary practice, the Grange filed a brief with the Banking and Cur-



rency Committee of the House when the second Price Control Act was under consideration and called attention to the danger. We said:

Subsidies are not mentioned in the President's message. Subsidies are not mentioned in the bill, but all the powers are there for their use if the President so decides. Congress should not pass by such a vital issue without an understanding on it. We believe Congress should set forth the policy of meeting the costs of war dislocations now, by assuring enough flexibility in ceilings to meet these unavoidable costs.

We recommend that this principle be written into the measure itself by adding the following words after the word "President" in the second sentence: "Shall adjust prices where necessary to maintain adequate production goals and."

We presented a number of reasons why subsidies should be avoided. Congress adopted the principle we suggested when it included the following limiting proviso after setting up the September 15 price level as a basis:

*Provided further*, That modification shall be made in maximum prices established for any agricultural commodity and for commodities processed or manufactured in whole or substantial part from any agricultural commodity, under regulations to be prescribed by the President, in any case where it appears that modification is necessary to increase the production of such commodity for war purposes, etc.

We felt this was a clear mandate to adjust price ceilings where necessary to obtain production, but various kinds of subsidies have been used in spite of this mandate. We, therefore, believe that the intent and purpose should be so clearly set forth in the pending measure that no confusion should exist and no money would be available if the intent of Congress is ignored.

First, we have an impossible situation where the O. P. A. can slap on a price ceiling which will strangle production, or can let buying power run wild with no adequate rationing system to hold it in check. and the Administrator of the War Food Administration has no authority to adjust the price or influence the distribution. The War Food Administrator should have the complete control of all governmental functions connected with the production and distribution of food, including the regulation of price ceilings and rationing. It may not lie within the province of your committee to provide for this necessary reorganization, but you can provide that—

#### RECOMMENDATIONS

(1) The War Food Administrator shall have the right of veto of any maximum price placed on any agricultural commodity, or any commodity processed in whole or substantial part from any agricultural commodity.

(2) No funds shall be used to make loans on or to purchase any commodity for the purpose of supporting the price thereon if at the time of purchase any maximum price is maintained on such commodity lower than such support price, or if at the time of purchase, it is contemplated to resell the commodity at less than the purchase price, except as shall be specifically authorized by Congress as to each individual commodity for which exception is made; provided that in the case of any commodity which is used for more than one purpose, the prices may be so adjusted with respect to the different uses for which such commodity is sold that the total returns shall be not less than such support price.

(3) Except as normal market conditions justify, no maximum price shall be placed on any commodity below the support price so long as the Commodity Credit Corporation shall hold any such commodity either under loan or through purchase, it being the intent and purpose to avoid the use of public funds to prevent agricultural commodity prices from seeking a level necessary to secure adequate production for war purposes.

(4) No direct or indirect subsidy shall be paid to any producer, processor, or distributor of any agricultural commodity upon which any maximum price is in effect, except as may be expressly authorized by Congress.

It is recognized that commitments may have been made, and purchase or marketing plans may now be in operation which cannot be immediately adjusted to such a program without causing costly disruption and loss. It is, therefore, suggested that an exception be granted as follows:

(5) Exclusive of losses on commodities in respect to which mandatory loans are applicable, the War Food Administrator may enter into such commitments not in violation of the purpose of subsection 3 as in his judgment are necessary to secure production of needed commodities for war purposes; provided that the total estimated losses under such commitments shall not exceed \$100,000,000. A detailed report on all transactions under this subsection shall be made to the Congress semi-annually.

Admittedly the \$100,000,000 named above is a random shot. We believe the committee should find out the extent of the need and adjust the amount accordingly.

Believing as we do that any subsidy program will not attain the goal of maximum production, and will lead directly to inflation, we urge your committee to guard carefully against a mistake which may have tremendously serious consequences.

MR. WOLCOTT. Mr. Goss, on page 8, halfway down the page, you recommend that the War Food Administration will have the right to veto any maximum price placed on agricultural commodities. The act of October 2, according to my understanding, provides that prices cannot be set without first consulting with the Department of Agriculture.

MR. PATMAN. May we have a copy of that act, Mr. Chairman?

MR. WOLCOTT. Those functions are now delegated to Mr. Davis, I believe.

MR. GOSS. It is my understanding that the original law giving the Secretary the right of veto applied to agricultural commodities but did not apply to commodities processed from agricultural commodities and there has arisen a good deal of dissension as to what is an agricultural commodity and what is a processed commodity. If the Secretary of Agriculture, or now Mr. Davis, has the right to veto a price ceiling placed on hogs but has no right to veto a price placed on the butchered pork his right of veto is meaningless. If he has a right to veto a price ceiling placed on milk but cannot veto after it is pasteurized and put in a bottle it is meaningless. So we have suggested that the right of veto be extended to include all food products.

THE CHAIRMAN. Of course, it should be remembered in that connection, regardless of any possible technical construction, that what we undertook after weeks of effort and all sorts of difficulty, was to confer

upon the Secretary of Agriculture a veto power covering the intent of Congress as to any ceilings imposed directly or indirectly by the Price Administrator affecting farm prices. We have talked about that a great deal, and I think nothing is to be gained by it. But this is the question that arises in my mind. In view of our experience in connection with the administration of that provision in the original price-control law, whether to confer that veto power now upon some different administrator, would accomplish any more than what we have accomplished in the first instance by conferring the powers upon the Secretary of Agriculture.

Mr. Goss. I do not believe I know how to untangle that situation, Mr. Chairman.

The CHAIRMAN. I am not sure that I do.

Mr. Goss. You have noticed that we have recommended that the complete power or control of food production and marketing be placed in the War Food Administration and this veto is an alternative in case that seemed to be beyond the province of your committee.

Mr. WOLCOTT. May I interject there in respect to the question I brought up that instead of the act of October 2 it was the original Price Control Act, subsection (e) of section 3, which provides that—

notwithstanding the provision of this or any other law no action shall be taken under this act by the Administrator or any other person with respect to any agricultural commodity without the prior approval of the Secretary of Agriculture.

I think that shows a very clear intent there in view of what went on before in that section and it indicates we intended to include processed products as well as the raw products because that, of course, would affect the price of the products.

Mr. Goss. I concur that the intent seems plain, but you know the legal ruling was because the section which you have just read from failed to include the words "or processed commodities," that it was the intent of Congress that the right of veto should not be extended to processed commodities.

Mr. PATMAN. Doesn't it remain an agricultural commodity although it is processed?

Mr. Goss. I think it does, but the attorneys do not agree with that and the net result is that the veto power has been meaningless and what we are urging is you make it meaningful.

The CHAIRMAN. Of course, that amendment was put in in the Senate based upon a hope, and to be perfectly frank, it was a hope that I did not very seriously entertain. And we accepted it in conference. Its sponsor was Senator Bankhead. He said at the time that its efficacy was a very doubtful matter in his own mind. But there was not any mistake about what we were trying to do. That thing had been fought over from the time the bill was handed to me for introduction. I don't want to keep talking about it, but there wasn't any misunderstanding on the part of the Price Administrator and his attorneys about what we wanted to do and what we meant to do. That is where all this trouble arises. And I am not sure that I know the way out.

Mr. FORD. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. FORD. Mr. Goss, in your statement you want the Commodity



Credit Corporation barred from entering into any loss transaction; do I understand that correctly?

Mr. Goss. Where the loss is known at the time the transaction is entered into, unless such transaction has the prior approval of Congress such as, for example, as in the sale of Commodity-owned wheat which Congress authorized.

Mr. FORD. But haven't all the transactions of the Commodity Credit Corporation practically prior to this time been loss transactions on the face of them when they loaned 90 cents a bushel on an 80-cent commodity and 12 cents a pound on a 9-cent commodity, and all that? There was a hope there, of course, that later on the market would come up and the commodity would be redeemed, but they have not been redeemed in all cases, and it seems to me if you limit them to such transactions you are going to absolutely invalidate and vitiate any possible use the Commodity Credit Corporation could have outside of liquidating its present obligations. Now, then, there is another question——

Mr. Goss. Let me answer that one first, may I? First, I would say that the wording in these five recommendations is not legal wording. It is just plain barnyard English, and it may not be subject to too critical examination.

Mr. FORD. I wish more of our laws were plain barnyard English.

Mr. Goss. I tried to make it clear, but what I attempted to say was in barring the Commodity Credit Corporation from entering into a known loss transaction was a type of transaction where they purchase at one price and expected to sell at a lower price.

Mr. FORD. I see.

The CHAIRMAN. Where that was the purpose?

Mr. Goss. Where that was the purpose.

Mr. FORD. Well, in other words, it was all right to permit subsidies to check production, but it is wrong to give subsidies to increase production?

Mr. Goss. You are tempting me into a discussion of the farm bill, and I might say that the Grange has never been in complete accord with the program of restricting production. We have felt that the answer should be marketing. Neither have we been in complete accord with lending to pile up a surplus in the hope of controlling a price through creating a scarcity. And let me suggest or just add this, Mr. Ford, in making these suggestions we have tried to divorce it from what has been done before and are only considering the economically sound thing to do from now on.

Mr. FORD. I see. Well, there was another statement you made that the sale of bonds to individuals reflects a lack of confidence of the people in its Government. I don't think that is so.

Mr. Goss. I think we are all greatly disappointed in finding that about \$15,000,000,000 of the last \$18,000,000,000 raised had to go through banks.

Mr. PATMAN. I don't think that reflects a lack of confidence.

Mr. MONRONEY. They set that up in their goal. That is all they let them have.

Mr. PATMAN. They set that up in their goal. Mr. Goss. It has been changed in the announced drive. That was their part of it. All the bonds they expected to sell to individuals were sold to individuals.



Mr. WOLCOTT. No, no.

Mr. KUNKEL. No; they expected to sell \$5,000,000,000, and instead they sold \$3,000,000,000. Mr. Morgenthau stated that right over here at the Ways and Means Committee.

Mr. PATMAN. I am glad to have that correction. I thought they had sold their quota.

Mr. KUNKEL. They sold two billion below the quota to individuals and they went way over on the subscription by banks.

Mr. MONRONEY. I don't know anything about the banks, but they went way over on private corporations that were controlled by the very individuals who otherwise would have made individual purchases, so while it did not have any tendency regarding inflation it did not show any lack of confidence because the directors had to authorize that purchase with corporation funds.

Mr. FORD. Bond purchases are going on every day.

Mr. PATMAN. I think the main problem before this country is the winning of the war, and I think the people have every confidence toward that end; don't you, Mr. Goss?

Mr. Goss. I think they have confidence in the end toward winning the war, but I think they are looking with a great deal of concern about the debt we are piling up and the fact that debt is not being held in larger share by individuals.

Mr. PATMAN. That is up to the individuals, you know—the only thing the Government can do is offer to sell the bonds.

Mr. Goss. That is what I am trying to say, Mr. Patman. That is what I am trying to say; that I believe if the individuals had the confidence, we would be selling a far greater proportion of our bonds to individuals.

Mr. PATMAN. How can they lack confidence when the bonds are worth 100 cents on the dollar and when the same money they have got now to buy bonds they can always get? How could there be any lack of confidence?

Mr. Goss. It depends on whether that dollar is going to be worth as much in the way of buying food, clothing, real estate, and horses and automobiles at the time it is paid off as it is now.

Mr. PATMAN. That argument, to my mind, is not logical, for this reason: If you have \$100 now and you say that you are afraid to invest that \$100 because by the time it is paid off the \$100 may not purchase as much in commodities which you have named, but if you keep that same \$100 it will decrease in the same ratio. How would you be better off by keeping your money than you would in investing the money in Government bonds when you can get the same amount of dollars back?

Mr. Goss. You would not be as well off if you kept it in money, but if you put it into something tangible and inflation ensued you would be protected. And that is the pressure in this whole inflation program which we must meet.

Mr. PATMAN. Yes; I know that if there is flight from dollars to tangible goods, real estate, or durable goods that there can be a diversion there. But they become inflationary, too, and the value decreases just like the value of everything else in the same ratio. I don't follow you at all, Mr. Goss. I want to ask you a question. On page 7, where it says—

By rationing, so that all may share equitably in the limited supply. Rationing which fails to cut the demand to fit the supply defeats its purpose. It is possible to ration so as to have a surplus and thereby largely control price.

That is the thing I want you to explain to me. How would you ration to have a surplus? You take the ration on meat. That is a commodity everyone uses. How would you ration meat so as to have a surplus?

Mr. Goss. I think it could be done on meat. Let me illustrate what has been done with coffee.

Mr. PATMAN. With what?

Mr. Goss. With coffee. We had a shortage of coffee. You could not buy it in the stores, not because you did not have the tickets but because there was not any coffee. So they established a ration for coffee and they put that so low that the supplies began to accumulate and now you can get coffee anywhere if you have the tickets.

Mr. PATMAN. I don't know that coffee is a fair illustration, because some people can do without coffee, and you have a lot of substitutes for coffee. But now you take meat; how would you ration meat so you would have a surplus?

Mr. Goss. I would do the same thing with meat. I would put the ration down to a point—

Mr. PATMAN. Where there would be a surplus?

Mr. Goss. I would put the ration down to a point where there was enough to go around with a little surplus and then everybody has got meat to sell and competition again starts to adjust the prices.

Mr. PATMAN. Then the coupons become more valuable than money, and, of course, there is an incentive for black markets, but there is an incentive for black markets at any time as long as you have more purchasing power.

Mr. Goss. The incentive for black markets is from one or two causes. Now, we have the incentive of prices and the incentive of supply. In that case you would only have the incentive of supply. In the case of meat that is fairly well controlled.

Mr. PATMAN. I hope that can be done and that it works out like you say. Of course, it would be a very desirable goal to attain. I am very disappointed at what you say that the people are losing confidence in the Government. When you go out and see every individual in the community working, either on a rationing board or some kind of bond sale or stamp sale or doing something patriotic, everybody working 100 percent shoulder to shoulder and everything to win the war, and when you realize that there are between seven and nine million young men in the service, most of them coming from every home and fireside in America, and they have the interests of those boys at heart. To say the people are losing confidence in their Government just doesn't sound good to me.

The CHAIRMAN. I think what Mr. Goss means is that the judgment of the people is that as money expands in supply, and credits and all these things that tend to cheapen money, the money will be less valuable in relation to commodities and lands and other values.

Mr. PATMAN. That is undisputed.

The CHAIRMAN. Yes.

Mr. PATMAN. I say, it is undisputed that will occur.

The CHAIRMAN. Undoubtedly.

Mr. PATMAN. That is far different from saying the people are losing confidence in their Government.

Miss SUMNER. Nobody says that. He doesn't say that in his statement.

The CHAIRMAN. If he did say that it is just an unhappy use of words.

Mr. Goss. If I have said anything which can be interpreted as saying the people are losing confidence in the Government it should be corrected because that was not meant. What I meant was that the people are losing confidence in the Government's paying back the money in the same size dollar we have got.

Mr. FORD. You did not qualify it to that extent.

Mr. PATMAN. Your statement generally was very interesting and constructive, I appreciate that.

Miss SUMNER. He did not say they were losing confidence in the Government.

Mr. PATMAN. I was only using Mr. Ford's language.

Mr. CRAWFORD. I think we should read from the statement and clear the record. On page 4, subparagraph (b), it says:

Nothing will cause a greater loss of confidence in the financial soundness of our Government than to follow a policy of unwillingness to pay our bills as we go as far as we can.

And I subscribe to that statement.

Mr. PATMAN. That isn't bad at all. That is not what Mr. Ford's question showed.

Mr. FORD. His statement contains this sentence:

The symptoms of loss of public confidence are all too plain in the statistics of bond-selling campaigns among individuals.

Mr. KUNKEL. If I remember correctly you made the same argument on the floor of the House when the tax bill was under discussion.

Mr. FORD. When was that?

Mr. KUNKEL. You said if the Government did not collect taxes there would be a loss of confidence in the financial soundness of the Government.

Mr. FORD. Yes; if they were going to give away \$10,000,000,000.

Mr. KUNKEL. This is an exactly parallel case.

Mr. FORD. No, it is not.

Mr. KUNKEL. Now, Mr. Goss comes back and is merely repeating what you said on the floor of the House.

The CHAIRMAN. It is sufficient if in his statement anywhere he did say that the people are losing confidence in the Government; he says he did not intend to say that and in fact reiterates that that was not his intention and now it is all clear.

Mr. FORD. We are willing to accept his reiteration of his intention but let us read the language. He says:

The symptoms of loss of public confidence are all too plain in the statistics of bond-selling campaigns among individuals.

Mr. Goss. May I request that that be read in connection with the first sentence in the same paragraph.

The CHAIRMAN. It is consecutive enough.

Mr. CRAWFORD. May I also say and I want the record to show this, that whether you read that last quotation with or away from the



other one I subscribe to the last one 100 percent. I think I can produce statistics to support it 100 percent.

Mr. FORD. All right, if you want to inject a political angle into this.

Mr. CRAWFORD. Politics have nothing to do with it. It is a question of the financial judgment on the part of the people.

Mr. PATMAN. You are agreeing to something that the gentleman has already explained out.

The CHAIRMAN. No.

Mr. CRAWFORD. He cannot explain it out so far as I am concerned.

Mr. PATMAN. I agree with you that you should sell more bonds to individuals and should tax more but I don't think people are losing confidence because they don't buy bonds.

Miss SUMNER. Nobody said that.

Mr. GOSS. I want to make it clear if anybody reads that into it they have read into it what is not intended. I do not believe that is the case.

Mr. WOLCOTT. I do not think there is any question but what the people are losing confidence in their Government to properly administer their planned economy.

Mr. PATMAN. Their what?

Mr. WOLCOTT. They planned economy. We have a planned economy. I think people are losing confidence in the Government to properly administer their planned economy.

Mr. MONRONEY. You mean price control is planned economy?

Mr. WOLCOTT. Well, price control is one element.

Mr. PATMAN. It is a wartime measure.

Mr. WOLCOTT. Regardless of whether it is wartime or not it is planned economy.

Mr. MONRONEY. Do you want to do away with price control?

Mr. WOLCOTT. Why do you ask that question of me?

Mr. MONRONEY. You are protesting against any planned economy and price control is a part of it.

Mr. WOLCOTT. No; I was not protesting against any planned economy. I was protesting against the chaos and uncertainty and confusion attending the administration of planned economy.

The CHAIRMAN. Mr. GOSS, there is one part of your statement which I do not believe you emphasized enough and I think it came up in connection with Mr. Ford's question. In your distinction between subsidies for support of prices and subsidies recognizing losses for certain benefits to any type of citizen your statement was in substance this, that where support prices are adopted as a policy not only is it true that the action does not contemplate losses but in practice you do not have the losses.

Mr. GOSS. That I think is correct and I think you will find except for the losses which the Commodity Credit Corporation has suffered, except for those losses which have been wished on to them by mandate of Congress that their support price program has shown a margin of profit rather than a loss.

The CHAIRMAN. I do not know the figures now but when we had this legislation before us the last time, as I remember some of us were gratified and somewhat surprised when we learned that the accounting showed, down to that time, they had a very substantial surplus in earnings.



Mr. Goss. That is right.

Mr. PATMAN. I want to ask another question, Mr. Chairman. You believe then, from your statement I presume you do, that we should tax a great deal more and raise a lot more money in taxes.

Mr. Goss. We do.

Mr. PATMAN. You believe that?

Mr. Goss. We do.

Mr. PATMAN. It will take at least \$16,000,000,000 more this year, which the President proposes to tax the people.

Mr. Goss. I would not want to go on record as to the amount that we would be able to get.

Mr. PATMAN. I see. You think we should pay as much of the debt as possible—I join you in that—as we go along?

Mr. Goss. We think we should not only pay as much of the debt as possible but we think we should absorb in our living costs all these war dislocation costs rather than shove them on to future generations.

Mr. PATMAN. Yes. I agree with you. What about a sales tax? Do you favor or oppose a sales tax?

Mr. Goss. We have always opposed a sales tax. I want to tell you why, because it is going to be an issue.

Mr. PATMAN. That was a peacetime proposition then, but now it is war. How do you stand in wartime?

Mr. Goss. Our position has not been changed, although we are studying some modifications of a sales tax which will be collected not on the individual sale but on the amount that is left over so that it will be possible to grant exemptions similar to those in the income tax. But the reason we have opposed a sales tax is twofold. First, it hits the poor man harder relatively than the wealthy man. But from the standpoint of agriculture we have been the victims in those places where we had a flat sales tax. Let me illustrate: You have a salary of \$5,000. You spend it all and you pay a 2-percent sales tax on what you spend, on \$5,000. I am a dairyman. I have a net income of \$5,000, if that won't strain your imagination too hard, but in order to get that net income I have had to buy \$20,000 of feed and supplies so I have to pay the sales tax not only on \$5,000 but on the \$20,000 for feeds and supplies. So I pay about five times as much tax as you. In other words, the farmer is a manufacturer, but in the system of accounting set-up he is not considered as a manufacturer. His supplies on the farm are so intermingled with his living expenses it is impossible to segregate them and the sales tax which does not segregate those items hits him as a manufacturer about three times or five times as hard as the average consumer.

Mr. MONRONEY. The consumer sales tax?

Mr. Goss. I don't get your question.

Mr. MONRONEY. The consumer sales tax would not hit him as hard, would it?

Mr. Goss. If you could segregate the items which he consumes in his own family just like a lawyer or a doctor or a wage worker he would not be so hit, but we have never been able to devise a method of segregating the items which he consumes in his own family and the items he uses to feed the cows and which he uses to patch a barbed wire fence and the various things that go into the cost of production.

The CHAIRMAN. Well, even as applied to the articles consumed by members of the family a sales tax after all would operate to tax a man according to the size of his family.

Mr. Goss. That is correct.

Mr. SPENCE. Mr. Goss, you say the only way inflation has ever been cured is to bring supply and demand into balance. I think you are perfectly sound on that, but in these times when we are making this great war effort how are you going to do that? For instance, you say, "First, encourage the production of consumer goods." How are we going to increase the production of consumer goods and at the same time devote nearly all our energies to the war effort?

Mr. Goss. I am talking particularly of food. We will increase our food as much as we can. We cannot get as much as we want, I think we all recognize that. So after you have done all you can, then the answer is to reduce the demand to fit the supply.

Mr. SPENCE. But the production alone of food would not have any effect on the inflationary gap because there are so many other elements that would affect that. How are you going to increase the production of consumers' goods?

Mr. Goss. I think the same principle prevails. We will produce plenty as far as we can, but if we fail to produce enough to meet the demand then the answer is to reduce the demand to fit the supply, and there are three ways of reducing that demand: (1) by rationing, (2) by taxation, (3) by forced savings, and I might say there are four ways. The fourth way is inflation.

Mr. SPENCE. Now, the labor element enters into that very greatly. How would you improve that?

Mr. Goss. If we can hold down the demand to fit the supply there is no need for increase in prices except a moderate increase which comes from dislocations costs.

Mr. FORD. Wasn't that the theory of the price-control bill?

Mr. Goss. The theory of the price-control bill was they would be able to hold everything and be able to freeze everything. The first mistake they made was to leave out labor. The second mistake they made was to consider that they could freeze all production costs. Now, you cannot freeze all production costs. We wear out our rubber on our tires and we have to use some synthetic product that carries us only one-fourth as many miles and while they control the price of rubber your transportation costs have automatically gone up. You cannot control that. That is what I call a war-dislocation cost. Now there are thousands of them and we gradually raise our cost structure and when that cost structure hits the price ceiling that is where you cut off production. That is where we get into trouble.

Mr. FORD. I thought you made a very good case. Your arguments have been very logical. If they would work they would probably solve this problem. But we haven't any assurance if we accept everything you say, we might try it, just as Churchill said, "We will try bombing," but I am not primarily opposed to what you are saying. I would want to look into it a little more carefully and study it in connection with some suggestions Mr. Patman has made. I want to ask you just one question. How about the Farm Security Administration, do you think they would be a contributing factor in increasing production if they were allowed to operate?

Mr. Goss. Yes; if they operate right. The day before yesterday, or Tuesday, I appeared before the Appropriations Committee of the Senate and laid out the Grange program in connection with the Farm Security Administration, the Agricultural Adjustment Administration, the Farm Credit Administration, and Extension Service, and I tried to do it logically. It would take too long to outline it here but that testimony is available if you are interested and I would suggest you read it. Briefly it was that we want to see the tenant-purchase features and rehabilitation features of the Farm Security Administration continue and cut out all the monkey business.

Mr. Ford. Now, what is the monkey business?

Mr. Goss. You are going to get me into a long discussion here.

Mr. Ford. Just discuss it briefly. Tell us one or two things that you think is monkey business. I want to get a fair picture of it.

Mr. Goss. Well, I will give you a picture of setting up a fire insurance company, a mutual company, and no borrower was permitted to borrow unless he patronized that mutual fire insurance company and we had mutual companies operating in the same area at 33 percent, less cost.

Mr. Ford. That is a very sound criticism.

Mr. Goss. That was a forced cooperation from the top down and it would not work. That is one.

I think that a good deal of monkey business that has been criticized was inherited from the Resettlement and Subsistence Homestead. Here is where the trouble has been. The Resettlement Administration and Subsistence Homestead were set up without authority of law. Nobody knew just what to do. They gave the President full powers to do something to meet a terrible emergency. There were put in charge men who did not have any agricultural background and they began to go into the agricultural field with many impractical proposals. Then came along the Bankhead-Jones Act which set up the tenant-purchase and rehabilitation loans. We thought that the Bankhead-Jones Act put some fence around the operation of the Farm Security Administration and they would stay within those operations. But it did not work that way. They just took the Bankhead-Jones Act as an additional activity and continued to cover the water front. Now, what we have recommended is that their activities be confined to those things which are set up in the Bankhead-Jones Act with some modification of the Bankhead-Jones Act. In other words, we should lay down the course which they should follow and put a fence on both sides of the road and insist they should stay within the fence. And if that is done we believe the Farm Security Administration can help materially in production. We think they have helped materially in production but we think they have got into a lot of trouble, too.

The CHAIRMAN. Mr. Goss, let me suggest, your statement before the Senate committee is in written form?

Mr. Goss. Yes.

Mr. PATMAN. I would like to see it.

The CHAIRMAN. I suggest you have someone mail to each of the members of this committee a copy of your statement. We would be glad to have it.

Mr. Goss. Just let me say in that connection. We had not taken too active a part in the appropriations and in the discussion between the various branches and agencies of government in the field and the



farm organizations. But when the House cut out a lot of provisions in the appropriation bill it became necessary for us to go and outline what we thought should be done and in making that outline we said to the Appropriations Committee we recognized that a good many of our suggestions do not lie within the province of this committee but it is necessary to discuss them before we can discuss intelligently the matters which you must consider. Therefore, we are going to make suggestions, some of which may properly come before the Committee on Banking and Currency and some before the Committee on Agriculture and it is our desire to furnish copies of our testimony to those committees so they may know we do not intend to preclude or encroach upon their prerogatives. As soon as we can get copies for this committee we will have copies sent to all the members of this committee.

Mr. DILWEG. May I ask a question, Mr. Chairman. Mr. Goss, are you in a position to give us any statement the relative costs so far as using the subsidy program or permitting farm prices to rise under the suggestions you have in your statement here today?

Mr. Goss. Relative costs to the Federal Treasury?

Mr. DILWEG. To the country as a whole. I mean, ignore who has to pay the bill, I just want to know if you have any way in which you can compare them?

Mr. Goss. I do not believe it is possible to develop any dependable statistical information. If a policy of rationing to a surplus is followed the people will pay less money and the Federal Government will pay less money than under any other system which can be devised, in our judgment.

Mr. DILWEG. Of course, if that is true the so-called white-collar group we have talked about occasionally here, who are going to be caught in a squeeze if prices of food commodities are permitted to go up, would be taken care of, wouldn't they, by your statement?

Mr. Goss. That is correct.

Mr. DILWEG. Is that a probability or is that a factor that you can say, not "might happen" but "will happen"?

Mr. Goss. I think that the answer in that lies very largely with your committee.

Mr. DILWEG. In what respect?

Mr. Goss. I believe that your committee can prevent a disastrous program of using subsidies which will lead to inflation. I believe by putting proper safeguards around the use of the money a sound program of rationing to a surplus coupled with a sound taxation program will hold inflation in check better than any other means.

Mr. MONRONEY. I was going to ask if the experience on coffee which is the first thing we have apparently rationed to a surplus, if there is any evidence yet that is bringing the price down. I think it is a most interesting approach to the thing. I am glad you brought it up. I am wondering if there had been any reports come in since they apparently have this surplus.

Mr. Goss. I think there is considerable evidence in this respect. Coffee was traded in the black market at exorbitant figures. There are no black markets now and so the price ceiling on coffee is operating. Most stores are charging the full price ceiling on most goods because of some item of expense which have been thrust upon them and they find it necessary to do so.



Mr. MONRONEY. Well, they are proposing now a 2- or 3-cent roll-back with a Government subsidy at the consumer line on coffee which if that is necessary it is just the reverse. I hope it will take hold as you say when these coffee stocks accumulate and there are surpluses the law of supply and demand will naturally bring the prices down.

Mr. Goss. I think the situation will not be cured until we follow a policy of rationing to a surplus. In other words, you cannot cure the whole thing by coffee alone. I do think, however, we are approaching a time when we are going to solve the meat problem in that way, and that is an enormous item. I think it would be entirely possible to solve the problem on meat and dairy products. Poultry, however, would be a little tougher, although it can be solved to a very large degree. And canned goods would be relatively simple.

Mr. MONRONEY. Let me ask you about the sales tax we were talking about. If we were to develop a system of say a figure of about \$1,200 per year basic consumer subsistence living and could issue coupons for say 10 percent sales tax on that amount everybody holding a ration card, man, woman, and child, would get their \$120 worth of tax coupons. Then would that not also have a tendency to bring about a decrease in excessive consumer consumption and avoid many of the pitfalls of the ordinary consumer sales tax?

Mr. Goss. I do not know that I can answer that question. I said we are studying the whole question of modifications in the sales tax and one proposal rather intrigues me which I think is a little simpler than the one you have indicated. But until our studies progress a little further I would prefer to not express an opinion because it might be considered the opinion of the National Grange and it would not be.

Mr. MONRONEY. One other question. You and Mr. O'Neal, of the Farm Bureau Federation, both recommended that perhaps the best choice of handling the food-price situation would be to put that into the War Food Administrator's hands. Granting that he is probably better familiar with food production and pricing, I am wondering if it would not have some tendency to make the Food Administrator unpopular; in other words, make a policeman out of him when now you have him as a cheer leader and planner to assist the farmer.

Mr. Goss. Your question is whether the unpopularity would cause the farmers not to follow him so well?

Mr. MONRONEY. I think he is going to do a grand job of leadership in his present position, but when you harness additional powers of a policeman on him, can he be as effective in the two jobs as he could be in one?

Mr. Goss. Let me say this for Chester Davis: He enjoys the confidence of farmers as much as any man in America and if you give him the power and you don't tie his hands with regulations which are unenforceable, Chester Davis, will carry the load and do the job and the farmers will follow him. But I want to emphasize that qualification—if you don't tie his hands with unworkable restrictions.

Mr. DILWEG. Now, Mr. Goss, coming back to your question there about experiments. Apparently experiments are necessary in arriving at this so-called formula that you have to keep prices down. That is, you must experience the over-all picture and operation of this thing before you can absolutely fix your prices on things; is that correct?

Mr. Goss. Yes; although there have been a great many cases in history where this has been done, possibly less formally than I have suggested.

Mr. DILWEG. What I am getting at is, during that period of experiment, would you suggest subsidizing?

Mr. Goss. No; except to take care of commitments that have been made or emergency cases. Frankly, when you once start a subsidy you are just in a mess. It is terribly hard to get rid of. But you are speaking of experiments. We are experimenting in meat. On that now the difficulty is they are not going the whole way. For example, they don't let loose on the allocation of cattle for butchering. I think probably some of you met the Governor of New Mexico up here some 10 days or so ago. He brought the case of the people in his area who had fat cattle. They had the coupons. They wanted to buy the meat. But the allocation for butchering had all been used up in New Mexico and they had to ship the cattle up to Omaha before they could find a place where they had a proper allocation for butchering and shipped the meat back to New Mexico. That is just plain dumbness. But we have it in our operations now and until you can adopt a principle and then let it work, as I have said here, until you can have a rationing program which will make sure you have the supplies enough to meet the ration tickets, it won't work.

Mr. DILWEG. But then there will be a period during which prices to the farmers will be less than his actual cost; is that true?

Mr. Goss. It might be right at harvest time, some.

Mr. DILWEG. I mean, until you can eliminate these factors you are talking about.

Mr. Goss. Prices to the farmers generally now are satisfactory. You appreciate that. We appreciate it. It is only the occasional item or the occasional area that is being hit. But these occasional ones mount in total to a sum so great that it is seriously crippling production. I don't think that there needs to be any subsidy in order to bridge that gap. I believe it can be done without it.

Mr. SPENCE. What is going to be the condition with reference to farming machinery and farmers obtaining adequate machinery?

Mr. Goss. It is going to be better. It is somewhat better now. The allocations have been inadequate. Mr. Nelson has kindly provided a representative to travel with representatives of farm organizations and they brought back so clear-cut a picture of inadequacy that they have doubled, practically doubled, the amount of machinery available. It is going to take some time for that steel to get to the mills and be manufactured and get out to the farmers.

Mr. DILWEG. Inadequacy of machinery did cripple production quite a good deal, didn't it?

Mr. Goss. Quite a good deal, both in the production of this year and last year.

Mr. TALLE. May I ask Mr. Goss a question? Are you satisfied with the distribution of machinery?

Mr. Goss. No; we are not. I do not know whether it has been corrected but there were allocations which resulted in machines piling up in warehouses so the machines were never used. For example, a small manufacturer up in New York State makes harrows. He was told to market his harrows throughout the whole United

States. He had market contacts in five or six States only. It was impossible for him to develop market contacts in carload lots throughout the United States. And not being allowed to sell in ordinary channels half of his products went to market and half of them did not get there. We have presented this case to Mr. Donald Nelson and talked them over with Chester Davis. They have promised to have the situation remedied and for all I know it may be remedied by now. But we have not been satisfied with this operation in the past.

Mr. TALLE. When machinery is allocated to States or areas within a State are you satisfied that enough machinery has been allocated, we will say, to a farming area like Iowa? I doubt that a productive State like Iowa has received its fair share of the total machinery available.

Mr. Goss. There has been a good deal of discrimination not intentionally but because of an inadequate allocation program and the failure to recognize that you cannot develop machinery marketing agencies overnight.

Mr. KUNKEL. Mr. Goss, do you think it would be more satisfactory if you made more use of the ordinary channels of distribution rather than the present O. P. A. rationing system that they have?

Mr. Goss. Of farming machinery?

Mr. KUNKEL. Yes.

Mr. Goss. Well, the difficulty is not quite as simple as that.

Mr. KUNKEL. I know that.

Mr. Goss. The solution is not quite so simple as that. For example, if you are a representative of the International Harvester Co. you have to carry a full line of extra parts. It is a headache to you and a mighty costly thing. Now, if you have to take on extras from five or six other institutions it is something completely beyond your power to control. So, when we put out the production lines of machinery which were supplying the bulk of the demand the effect was that we were asking every dealer to take a new line with a complete line of extras. Those extras were really the fly in the ointment. It is quite a complicated situation.

Mr. KUNKEL. I realize that. There is a very general sentiment among the farmers back home that a more equitable and satisfactory system of distribution of farm machinery could be secured through the ordinary channels of trade. Do you think that is true in your judgment? I can see it is a terribly complicated problem.

Mr. Goss. I think it is now being worked out in about as practical a way as it can be because the manufacturers who have to supply the bulk of the machines are going back into manufacturing and we have little criticism of the way it is now being worked out.

Miss SUMNER. What is the purpose of your plan to ration to a surplus. Is that in order to depress prices?

Mr. Goss. It is to make sure that people with rationing tickets can get what they want and also to see that the law of supply and demand again works. The prices can be held in check with a surplus.

Miss SUMNER. Well, now, there you go. You mean in other words to depress prices.

Mr. Goss. Well, I would say to hold prices in check at a reasonable level.



MISS SUMNER. All right. But when you hold prices at what you call a reasonable level doesn't that in every case with few exceptions mean that you do not increase production as you might increase it if you let the prices rise?

MR. GOSS. If you ration so tight that your surplus became burdensome and brought the price level down to a discouraging level what you have said would be true. But if you ration to a point that you prevent prices from going too high and to keep them at a compensatory level to the farmers we will produce the goods.

MISS SUMNER. In the case of the following kinds of commodities do you believe that you could or could not get an increase if you would raise the prices of the commodities? The commodities are as follows: Corn, soybeans, pork, cattle, wheat, oats. In other words, the statement has been made here that we have vastly increased our production. Presumably that is true. But the question is whether we have raised or increased that production to the extent we should increase it in view of the great scarcity of those particular commodities.

MR. GOSS. I think in corn it would increase production. With respect to cattle I think the problem lies more in the flat price which prevented the fattening of cattle and did not make enough differential between prime beef and ordinary beef.

MISS SUMNER. In other words, in respect to that commodity you would lower the ceiling on steers on the range rather than increase the price to the consumer when they left the range.

MR. GOSS. I would increase the spread between prime beef and ordinary beef.

MISS SUMNER. That is what I mean.

MR. GOSS. You know what happened on that, I presume.

MISS SUMNER. I understand what you mean. You don't care whether it is because of decreasing the price of the steer on the range or increasing it at an upper level, is that right?—just so the differential exists you don't care where it is.

MR. GOSS. The differential has forced a lot of cattle to the slaughtering block that should have been fattened. You know what happened, I guess.

MISS SUMNER. Yes; I know what happened. But the point has been raised here and also presented by the O. P. A. that cattle ought to be shipped straight to market from the range rather than waste feed and feeding the cattle. Do you agree with that position or feel it is unsound?

MR. GOSS. Well, I think it is crazy to feel that they can feed silage to hogs, but that is what they figured. Did I make that clear?

MISS SUMNER. You made it clear to me. I hope you made it clear to the committee.

MR. GOSS. What they attempted to do was to get more pork because feed will go further in raising hogs than in raising cattle. So the spread between range cattle and prime beef was reduced to such a low point that the cattle would go to slaughtering block instead of into the feed lot and a lot of farmers were stuck with hay and silage that they did not feed up and you can't feed silage to hogs.

MISS SUMNER. And cornstalks.

MR. GOSS. And cornstalks. You have to have some balance to this.



Miss SUMNER. Now, it was said here by one witness that we did not have what I might call refuse feed and that type of ensilage stocks, low grade feed corn and that sort of thing, that we did not have enough of that to justify feeding cattle on the farms after they had left the range. Is that true or false in your opinion?

Mr. Goss. I think now there is a shortage of almost all kinds of feed developing. I think it was not true a year ago.

Miss SUMNER. Do you feel there are plenty of cornstalks, we have got to get a considerable amount for meat, I mean cornstalks and other feeds of that type; could you get considerably more beef than you could today if this differential were adjusted there?

Mr. Goss. I think we could but I also want to emphasize this: I think we are raising too much meat. It takes a good many times, from three to seven times, as much grain to make human food in the form of livestock than if consumed direct. And we have got our livestock population now up to a point where we are running short of both proteins and carbohydrates. We are going to have a very very heavy drain on our wheat supply and the wheat supply of Canada and it seems to me that we must use less meat and more of the grains and more of the vegetables if we are to avoid getting into a position that when this war is over and we have to send enormous quantities to hungry Europe we have not the wheat to send. Wheat is the one big food that will put Europe on its feet faster than anything else and to drain that surplus of wheat through cattle because we like to eat more meat in these times seems to me a short-sighted policy.

Miss SUMNER. I might say there that is Mr. Hutson's position. Are you qualified as an expert on different kinds of food? In other words, on diets?

Mr. Goss. I am not an expert on anything unless it is milking cows.

Miss SUMNER. I know that is not a fair question. But have you made a study of the different effect of meat and vegetables on the human diet? Have you attempted any kind of study? I won't ask you that embarrassing question.

Mr. Goss. No; I leave that to Mrs. Goss.

Miss SUMNER. Thank you.

Mr. KUNKEL. At the present rate that you object to, can you state in your judgment as to when the time will arrive when we will cease to have an appreciable wheat surplus?

Mr. Goss. Mine would be just an offhand opinion and not backed by statistical information. It would therefore be of little value. I think this time next year we will have eaten very materially into our wheat stock pile.

Mr. KUNKEL. My humble guess was it would be about next October, a year from this October.

Miss SUMNER. This is a question I simply don't know anything about. As you say, last time wheat was the big commodity that went over to Europe. I am just wondering aren't there areas anywhere else in this hemisphere except Canada and the United States? Isn't it raised in South America at all?

Mr. Goss. Yes; there is a lot of wheat in Argentina, but compared with the total raised in North America it is relatively small.

Miss SUMNER. They don't have any large surplus?

Mr. Goss. They do not have a surplus such as we have had. It might run into a combined surplus of a billion and a half to two billion bushels, I have forgotten what it is, but it is small compared with what we raise here.

Mr. MONRONEY. How about Australia?

Mr. Goss. What is that?

Mr. MONRONEY. Australia is supposed to have a great supply of wheat, aren't they?

Mr. Goss. I think you will find that the impression that Australia has a large amount of wheat is due to the fact they always have a surplus. It is a surplus-producing nation but it is not produced in very great volume.

Mr. CRAWFORD. Mr. Chairman, may I ask Mr. Goss some questions?

Mr. Goss, following up on the wheat question I just have one question. As this squeeze develops and we face a shortage of wheat, would you recommend going into the Dust Bowl and breaking the sod to produce more wheat?

Mr. Goss. No; not the way it was done heretofore, Mr. Crawford. But I think there is a type of agriculture that can be pursued in a good deal of that country rather safely.

Mr. CRAWFORD. I understand.

Mr. Goss. But doing it in the way it was done before I hope that will never come again.

Mr. CRAWFORD. Do you think that type of agriculture could be followed successfully economically speaking at today's price level of wheat?

Mr. Goss. Well, in western North Dakota where they have an average yield of 10, 11, and 12 bushels I would say "No."

Mr. CRAWFORD. What about southwestern Texas, Kansas, Texas, Oklahoma, and Nebraska?

Mr. Goss. Well, they could do better there. It all depends on the yield and the rainfall. Personally, I believe that much of it can be handled through strip farming system of cultivation and by summer fallowing with wheat at present prices. But there are some sections of the Dust Bowl where I don't believe they could make it.

Mr. CRAWFORD. Now, I want to ask you a few other questions on this general proposal. If I comprehend your presentation here you are interested primarily in some three or four things. One, increased production. Two, concentration of food administration under one head. Three, elimination of or prevention of our developing additional inflationary forces through this subsidy approach which you want to avoid and therefore you recommend that certain steps be taken. That is the general approach, as I understand it.

Mr. Goss. That is correct.

Mr. CRAWFORD. Now, let me ask you two or three specific questions. Are you more interested in having all of this concentrated into the hands of a food administrator and by that I assume you mean independent of the Secretary of Agriculture; is that correct?

Mr. Goss. Yes; I think it has got to be in one person's hands and not two people making decisions which may come in conflict.

Mr. CRAWFORD. Then are you more interested in having this concentrated in the hands of the Food Administrator, who would not be

the Secretary of Agriculture, or also prefer to have us amend this law so that it provides specifically that the Secretary of Agriculture must pass upon all those prices relating to agricultural commodities, meaning by that the raw material and the processed foodstuffs.

Mr. Goss. It seems to me if we are going to place the responsibility of production on the Food Administrator he should be the one who has the veto power.

Mr. CRAWFORD. Then in that case amending this law along the lines discussed here earlier in the morning session would not suffice, would it? In other words, if we take and amend this language and provide that the Secretary of Agriculture shall have the power to determine what these prices shall be, both on raw farm products and processed foodstuffs, in doing that we would not accomplish this last thing which you mentioned, if I understand you correctly.

Mr. Goss. With Claude Wickard and Chester Davis there, you might accomplish it because they are working very closely together and presumably would. However, you have no guaranty.

Mr. CRAWFORD. Exactly; you have no guaranty, either, they will be there.

Mr. Goss. If one is subject to the control of another you may find you have two horses pulling in opposite directions.

Mr. CRAWFORD. That is what I wanted to bring out here because I got the impression awhile ago by reason of the questions that were submitted I think by the chairman and Mr. Wolcott and your reply thereto that the committee might be steered in a direction of amending this present law so as to provide that the Secretary of Agriculture should have the power to pass upon these prices which govern on farm raw materials as well as processed foods. I want to correct that so that the committee gets straight the idea of placing all this under the control of Chester Davis, the Food Administrator. Now, frankly, I would not be in favor of leaving the power in the hands of the Secretary of Agriculture to govern Mr. Davis, if Mr. Davis is to be the Food Administrator. I would just as soon have the situation the way it is now. I want to give you a chance to express yourself as between those two. That is, do you now recommend we proceed to place the whole administrative problem in the hands of a food administrator who would be independent of all other forces except the Congress?

Mr. Goss. That would be my recommendation. In saying that, I do not want to leave the impression that we have any lack of confidence in Claude Wickard at all, because we think he has done his best to do a good job. But from an administrative standpoint the man who has the responsibility should have the authority.

Mr. CRAWFORD. I agree with that observation. Now, let me ask you this question: Assuming we did revise the law so all these powers to which you have referred in all of your statements are concentrated in the hands of the Food Administrator, do you believe that he can do a reasonably successful job if Congress fails to do two other things—first, materially increase the tax burden, and, second, bring into operation enforced savings?

Mr. Goss. He can do a better job than is now being done. I doubt if you are going to be able to dam that source up without draining some off. However, if Congress failed to do that and he had the responsi-



bility of stopping inflation he could do it with a rise in prices which would drain off that surplus but at that point your white-collar man would suffer terribly.

Mr. CRAWFORD. Correct. Could the administrator in the absence of advancing those prices to the point where they will economically murder the white-collared or fixed-income citizens prevent a black market in the absence of taxation and enforced savings?

Mr. Goss. No; not wholly. You are not going to be able to prevent black markets completely in any situation but if he had rationing in his hands he could go a long way toward preventing a black market.

Mr. CRAWFORD. I agree with you on that part, going a long way. But I may carry that just one more step further. If we leave in the hands of the pay rollees of this country the \$100,000,000,000 they are to receive this calendar year scaling off only that much which is now called for by present tax burdens, assuming the conference bill goes through, and let them further scale that down through purchases of Treasury issues on the scale at which they have been buying them including the last issue of April and on a voluntary basis, how can any man, Chester Davis or anybody else prevent those people along with the others who are not pay rollees from developing and supporting a black market in this country that will wreck the whole picture? Personally I do not see how he can do it. I want to see if you think he can do it.

Mr. Goss. It would be flirting with a very dangerous situation. I am inclined to think it would be impossible. I think part of the program necessary will be either taxation or forced savings or preferably both.

Mr. CRAWFORD. I agree with you.

Mr. SPENCE. This morning I received several telegrams, some from packers, and some who said they represented the producers. Here is the substance of them: "To place the roll-back prices in effect June 1 would result in complete ruin to the packing industry. I cannot emphasize too strongly the losses to the industry if this proposed regulation is placed into effect." What is your opinion about that?

Mr. Goss. I do not believe we can roll back prices without giving consideration to costs of production without ruining industry and I do not believe any system of subsidies could be devised which could lie equitably enough to do justice and save the industry. I think we have to approach that by economic means which I have outlined here.

Mr. SPENCE. Are you familiar with this order that is going into effect; of course, you are?

Mr. Goss. Well, roughly.

Mr. SPENCE. That is, with reference to the packing industry and producers of meat?

Mr. Goss. Roughly.

Mr. SPENCE. What effect will that have on the producer?

Mr. Goss. I don't know, Mr. Spence. I am inclined to think that the biggest loss lies in inventories and that the immediate effect on the producer will not be as great as on the packer. But I would not want to stand on that. I really do not know.

Mr. SPENCE. All of the packers in my district, there are several not very large ones, they are moderate-sized packers, they all say it is going to ruin them. They won't be able to continue in business.

Mr. Goss. Well, I would not know whether that is correct or not. I know that some of the packers have been ruined annually and still have



stayed in business. But I do not mean to say they are wrong in this. Packers with large inventories will be heavy losers.

The CHAIRMAN. They never had this identical situation.

Mr. SPENCE. It is essential for the benefit of the farmer, too. He is interested in the maintenance of the packer, is he not?

Mr. Goss. Yes.

Mr. SPENCE. That is where his market is.

Mr. Goss. Yes.

Mr. SPENCE. He wants to see the packers get along reasonably well.

Mr. Goss. Yes. The farmer is interested in seeing that everyone who handles his products from the time it leaves the farm to the time it gets to the consumer gets a reasonable compensation for it. We want to see all excess handling cut out and we want to see anything in excess of reasonable compensation cut out. But we have no quarrel with the middleman as such.

Mr. SPENCE. One of the telegrams I received said they represented the producers and they were opposed to this also not only because of the effect on them but on the packer as well.

Mr. Goss. I am not familiar enough for my opinion to be of any value, I am afraid.

The CHAIRMAN. Mr. Goss, the committee is glad to have heard you and appreciates your attendance. You have given us an informative statement and discussion on this bill, and we thank you for it.

The committee will meet at 3 o'clock, at which time Mr. Handschin, who is the legislative representative of the National Farmers Union, will be with us.

Mr. Goss. I appreciate the committee's patience.

(Whereupon the committee recessed until 3 p. m.)

#### AFTERNOON SESSION

(The hearing resumed at 3 p. m.)

The hearing reconvened at 3 p. m., Hon. Henry B. Steagall (chairman) presiding.

The CHAIRMAN. The hearing will come to order.

Mr. Hull wishes to make a statement for the record at this point.

Mr. HULL. Mr. Chairman, may I submit this observation regarding the important matter of factory labor for the canneries in the Northwestern States? I have received the following telegram from the Wisconsin Cannery Association. That association probably has in its membership all of the canneries in Wisconsin, and presumably speaks for them in the telegram. It refers to the important matter of increasing canned-food production in the Middle West this year:

At a meeting of representatives of Vegetables Canners Association of Wisconsin, Illinois, Indiana, and Minnesota with Chicago regional office of War Labor Board, canners were today informed that petitions filed by State associations for voluntary wage increase to obtain labor desperately needed for canning 1943 vegetable packs will not be considered. These petitions were first taken up in Washington last December and have been filed with the War Labor Board nearly 2 months. Under directive from Byrnes' office War Labor Board now insists on individual applications from more than 400 canning plants which will involve paper work requiring at least a month with information as to 1940, 1941, and 1942 rates which in many cases probably cannot be obtained. This means that 1943 vegetable packs will be in large measure lost. Asparagus crop already suffering severely in all States named for lack of canning labor and recruiting must be done immediately if pea pack is to be saved. Recruiting impossible until wage increase can be granted and question of price amendment determined. We believe plan

of individual applications under Byrnes' directive of May 10 unworkable and imperative that some over-all plan be worked out for canning industry either by exemptions similar to agriculture or by granting group of area increase. Seriously urge your immediate consideration and assistance in revising directive of May 10.

WISCONSIN CANNERS ASSOCIATION.

Immediately upon receipt of this telegram I got in touch with the War Labor Board which immediately took up the matter with the Chicago office. On May 20 I was advised by telephone from the Chicago office that the labor situation in the Wisconsin canneries could be handled without requiring individual applications. There the matter seems to rest. This is another illustration of the manner in which the bureaus in Washington are interfering with the production of the food supply which our country so badly needs. There is no good reason why this matter of labor in the canneries should not have been taken up and disposed of long ago. The canning season is now opening in Wisconsin, and in other Northwestern States. Unless something is done to obtain the desired help, canneries will not be able to operate at full capacity, and there is bound to be a shortage instead of an increase in production of canned goods.

In connection with this same matter, I would call your attention to a release, evidently put out by the O. W. I. under the heading of "Labor Prospect Bad for Canning Plants." O. W. I. admits that a very serious situation exists. It states that in the Middlewest last year tons of food rotted because of the lack of labor at a critical time. It predicts the same thing may happen again this year. It estimates that fully 400,000 workers will be needed at the peak of the canning season, which will come along in June or July.

LABOR PROSPECT BAD FOR CANNING PLANTS

Wastage of crops and a tightened supply of canned and processed foods is probable unless sufficient manpower is available when the canning season begins, the Office of War Information said today.

During the canning season last year, the Office of War Information said, only superhuman efforts of volunteers filled the labor gap in some communities where the draft and the shift of workers to higher-paying war jobs had depleted the usual supply. In other localities tons of food rotted. Much of the Ohio and Indiana tomato crop spoiled because of sudden ripening and a labor shortage.

This year, said the Office of War Information, the normal reserve of experienced local canning labor shows signs of serious depletion exceeding that of 1942, yet the demand of canned and processed foods will be far greater than ever before.

Essentially a season, home-town industry manned by local workers who are otherwise occupied during the off-season, the canning industry employs about six times as many persons in September as in May. The War Manpower Commission estimates that about 400,000 workers will be needed when the peak is reached this year.

Your committee has no power to remedy the situation. I am offering this information merely to make record of what is transpiring as to the production of food supplies, and of the difficulties which processors in our western States are experiencing in their endeavors to meet the demands of the Government for increased production.

The CHAIRMAN. Thank you, Mr. Hull.

Mr. Robert Handschin, legislative secretary of the National Farmers Union, of Washington, D. C., who has been with the union for 5 years, is here to represent them in the consideration of this bill. He is with us this afternoon and the committee will be glad to hear him.

STATEMENT OF ROBERT HANDSCHIN, REPRESENTING THE  
NATIONAL FARMERS' UNION, WASHINGTON, D. C.

Mr. HANDSCHIN. For the benefit of some members of the committee with whom I do not have the pleasure of being acquainted, I have been with the Farmers Union office here during the past 5 years, and I am representing our president, Mr. Patton, who could not be before the committee today, who expressed his regret in that regard.

I would also like to take this occasion to pay our respects to this committee which has handled as you know, better than I, quite a number of pieces of legislation during the past years dealing with credit in particular for farmers.

On several of those matters we have been firmly behind the committee on and some we have not been as firmly behind the committee.

The bill that is now before the committee to extend the life of the Commodity Credit Corporation until 2 years after the duration of the war, or for 4 years, whichever is shorter, and to increase its borrowing power and to change the basis of its inventories, has in general our support as it now stands. However, I would like to suggest one or two limitations to that bill.

In the first place, I think it is clear to members of the committee that with the commitments that we have outstanding in the Triple A making loans mandatory on our basic commodities and the commitments on Government purchasing under the terms of the Steagall amendment for the duration and 2 years following, that the Commodity Credit Corporation has to be continued or some agency with similar powers put in its place.

Secondly, the term of extension is a matter which this year is different than it has been in any of the previous times that the Commodity Credit extension has come before this committee.

We are in the middle of a war, a very complicated and difficult war, and the Commodity Credit Corporation is extending price floors to more and more farm commodities. We are very much in favor of that practice and we look upon it as one of the chief needs of agriculture, and we are glad that your chairman and this committee have placed in the legislation adequate provisions to keep those floors at least at 90 percent of parity.

But in extending those floors, it is necessary to do so very often on more than one growing season. I am thinking in terms of the production of livestock products where our production cycle is longer than a growing season. That is, of course, your dairy products, and beef cattle.

If the Commodity Credit Corporation is going to be able to give farmers assurance on which they can plan their production in advance, it needs to have a sufficient length of life that it can give those assurances for the duration of the war, or for long enough periods to take that much risk, at least, out of the production of those types of livestock.

Therefore we feel that at this time under the circumstances, it would be advisable to extend the life of the corporation roughly as far as it is envisioned in the bill now before the committee.



We assume that there will be occasions upon which the corporation will be before this committee or some other committee of Congress to make annual reports. One such occasion is the annual appropriation bill for administrative expenses.

That does not happen to be before this committee but nevertheless affords the Congress at least once annually an opportunity to look into the operations of the Commodity Credit Corporation.

I dare say that there will be many other occasions regardless of what provision is made in this bill.

In the third place, we believe that it is desirable and necessary to increase the amount of borrowing power which the Commodity Credit Corporation can use. As to the exact amount we do not know; we have read the testimony of Mr. Davis and the testimony of Mr. Hutson and we are still unable to determine in our own mind how much might be an adequate figure. Their testimony indicates that even if they were not engaged in any purchase and resale operations, such as they now envision, that they would require an extension of their borrowing power to take care of the greater operations in terms of support prices and further that there is no way of telling when they might encumber the remaining of their borrowing power on some of our basic commodities on which they have to make mandatory loans.

Therefore we will not make any particular recommendation about the amount by which the borrowing power ought to be increased. We will leave that matter to the committee with just simply our feeling that a \$1,000,000,000 extension, which is smaller than some of the earlier extensions that were made to the corporation, ought to be a sufficient amount at this time, and the corporation may return when there is any need for it to get a further authorization.

As I have indicated, we have two or three suggestions to make to the committee.

The first one is this:

We believe that it is desirable that some additional bookkeeping be devised for the operations of the Commodity Credit Corporation which will be more in line with its various functions as it is now functioning or may function. It has been handling the purchases in large part, I understand, for the lend-lease. We feel that where there are any losses or profits for that matter, made upon such purchases, that such losses or profits ought to be segregated annually and so reported to the Congress.

We feel likewise that where the corporation is acting as the buying agent for the Board of Economic Warfare or other agencies of the Government, purchasing commodities abroad and bringing them into this country for resale, that likewise the profits or losses on those particular operations ought to be totaled up at the end of each year and segregated and reimbursed by the agency which is extending the financing, in this case, I think, the Reconstruction Finance Corporation should be the reimbursing agent. In the case of lend-lease, of course, it would be the Lend-Lease Administration. That would help to keep the slate clear.

Now we come down to some of the other limitations that have been proposed. The principal limitation that is before the committee is



whether or not to place into this bill some type of language barring what is commonly known as subsidizing operations on the part of the Commodity Credit operations.

Our organization feels that perhaps some limitation is desirable, but we feel in general that these funds ought to be made available to the Food Administrator without strings tied which might seriously cripple its operations. We realize that there has been projected an order to roll back ceilings, to roll them back to either the level of September 15 or the level of last June.

We realize that that would take in the fashion in which it is now proposed, a very large sum of money. We do not think that the costs of that roll-back ought to be charged up to the operations of the Department of Agriculture, either directly or through the Commodity Credit Corporation. We think that those costs ought to be charged up elsewhere so that the public may know that those costs are not costs incurred entirely by farmers, but costs incurred for the purpose of "holding the line."

However, there are additional subsidies, some of which have been in use, as reported to this committee, which Commodity Credit Corporation is handling. Those subsidies are occasioned by the increased costs of either farmers or of the middlemen handling farm products, such increased costs being great enough that either the middleman or the producer can no longer stay in business or function adequately under the existing price ceilings.

We feel—and here is where we differ with the American Farm Bureau Federation and some of the other organizations—we feel that there are definitely emergencies where that is a desirable practice, and I would like to explain some of my reasons for that.

First let me turn to the principal argument that I understand was presented to this committee yesterday by Mr. O'Neill, and that is that it is necessary to remove price ceilings from farm products in order to get all-out farm production.

As I understood Mr. O'Neill to present to this committee and I have heard him say it personally elsewhere, we should allow prices at this time to go to their so-called natural levels in response to the law of supply and demand.

I would like to say to that, that we are not in normal times, and there is nothing normal about the present situation for any group of producers in this country. The demand for farm products is not a normal demand. It was created out of the billions of dollars which the Congress has placed in war contracts, and the billions of dollars which have been made available to export food products abroad, and there is nothing normal about that situation at all, so that the natural levels of farm products is a phrase which does not mean anything in a time of national emergency.

If we were to take all ceilings off of farm products, and as long as we do not take further steps to absorb consumer purchasing power, it is very true that farm prices would rise, would rise very substantially, perhaps as much as they have already risen, that is they might rise by another 50 percent.

The CHAIRMAN. Would you let me make a suggestion to you?

Mr. HANDSCHIN. Yes, Mr. Chairman.

The CHAIRMAN. In order to save your time and I think approach this matter in the right way, and perhaps it would be more helpful to

the committee and would take less time, I think that I can say to you that nobody has any idea of taking the lid off of the price of agricultural commodities.

Mr. HANDSCHIN. I hope not, Congressman.

The CHAIRMAN. So I think that you might address yourself to other provisions.

Mr. HANDSCHIN. If we are to keep any type of anti-inflation controls, we cannot allow any section of our economy to run loose.

I would like to address myself then to the question of whether we need higher price levels to get more production in agriculture.

I do not believe that that is true, and neither does our organization. We believe that the present average price level is adequate for farm production. We do feel that there are many adjustments which need to be made, and I want to indicate one or two of those. Before I do so, I would like to indicate a few figures on the 1942 farm income which might explain partly some of the cross-currents that are now going on among farmers themselves.

Miss SUMNER. Might I ask a question there?

Is it your position that the prices of farm products are now high enough to get the maximum production needed?

Mr. HANDSCHIN. The over-all average of farm products now standing several points above parity as calculated we feel is sufficiently high to get all-out production.

As a matter of fact, prices are no longer the bottleneck on production. The bottlenecks on production are inadequate supplies of manpower and inefficient use of that manpower, and inadequate supplies of machinery and inadequate credit and inadequate planning and management.

The CHAIRMAN. Let me ask you a question there: Do you think the average of prices is necessarily a wholesome and fair condition?

Mr. HANDSCHIN. If you mean by that, Congressman, that no single price should be higher, I would not agree. Some farm prices should be adjusted upwards.

The CHAIRMAN. I just asked you if you think that it necessarily follows that because the average is at a satisfactory level, that that is a satisfactory condition; that is the question I asked you.

Mr. HANDSCHIN. It is a satisfactory condition as far as the average is concerned.

The CHAIRMAN. Well, certainly, if it is satisfactory it is satisfactory, but I am asking you if it necessarily follows that because the average price seems to be fair and reasonable, that it necessarily follows that that condition is satisfactory?

Mr. HANDSCHIN. No; it needs to be further explained, as I was going to explain, that a number of our farm prices are out of relationship to each other, and in terms of future conditions others may get out of relationship, and we have a specific proposal in that regard.

The CHAIRMAN. Do you subscribe to the view that every commodity, in order to receive satisfactory price, should be on a basis of parity?

Mr. HANDSCHIN. We subscribe to the view that our parity standard was established on our five basic commodities as a yardstick for those commodities, and that those five commodities ought to reach parity.

We subscribe further to the view that the national average of prices should be at or above parity.

May I go ahead, please?

The CHAIRMAN. Do you subscribe to the view that each farm producer should receive parity price? That is the thing that I am interested in, on his particular crop?

Mr. HANDSCHIN. Well, each producer, of course, has a variety of products.

The CHAIRMAN. Well, all right, on his variety, whatever he produces.

Mr. HANDSCHIN. Mr. Chairman, as you know, there are many difficulties in attempting to explain the adequacy in peace or wartime of the parity formula. I have said as much as I think that our organization would say when I have said that on the five basic commodities we are in favor of full parity, and we are in favor as I mentioned earlier, of price floors not less than 90 percent of parity.

The CHAIRMAN. Do you know of any reason why the producer of a basic commodity should receive benefits and consideration above and beyond those that are extended to the producer of any other commodity?

Mr. HANDSCHIN. No; I do not believe so.

The CHAIRMAN. Then I will ask you again, if you do not believe that all producers or every producer of agricultural commodities should receive a parity price for his commodity or his produce?

Mr. HANDSCHIN. I believe that they should.

The CHAIRMAN. That is the question that I have been asking.

Mr. HANDSCHIN. But we have a further question involved in that, and that is the question of whether the Congress is obligated to subsidize any price above parity as it is doing at the present time in some instances.

Mr. KUNKEL. You speak of the relationship between various prices.

As I understand, what the Commodity Credit Corporation is doing and what the problem is today, the relationship is between the price and the cost of production, with due consideration of the need for the product in the war effort.

I cannot see why it is very material what the relationship of the price of one commodity is to another commodity.

Mr. HANDSCHIN. Well, some of our commodities, Congressman, are used as raw materials by other farmers, and that leads me to the suggestion that I was going to make.

We raise grains and other feeds for feedstuffs, and they are related to that.

Mr. KUNKEL. That is related to their need in the war effort.

Mr. HANDSCHIN. The price levels that might be established on the final farm product involves the prices on the agricultural product used as a raw material, and there is a competition between the land and labor and supplies for producing this, or producing something else.

In other words, if we desire to get more wheat and less oats, we must take into consideration the relative price levels of those two commodities.

Mr. KUNKEL. But then you come back to the two factors that I mentioned: the cost of production or the incentive or inducement that you have to offer the farmer, plus the desire or need of the country for that particular commodity; is not that correct?

Mr. HANDSCHIN. If you desire to look at it that way, it is the same problem, but you cannot look at any one commodity without looking



at all other commodities that are raised on a competitive basis, that is competitive for the same land and time and labor of the farmer, or else you may throw your entire farming economy out of joint.

Mr. HULL. Is not that what has happened already?

Mr. HANDSCHIN. That has happened in many regards and we continue to have difficulties of that sort.

I wanted to read into the record these figures. These are the estimates of the distribution of 1942 farm income by income groups among farmers. If you would take all of the farmers in this country now on the land, a little less than 6,000,000, and divide them up into what we call high-low thirds, those getting the highest income, the third getting the highest income, and the third getting the medium income, and the third getting the lower income, here is what last year's income looked like. This is total income.

It is all of the cash receipts from marketings, plus the equivalent of the income produced at home and used by the family, plus all returns earned away from the farm, either by farm labor on someone else's farm or by investment or by some other business, plus Government payments.

These are the figures:

The top third of American agriculture, that is about 2,000,000 farmers, slightly less, got \$7,370 estimated. Out of that they had to pay their production costs, their cash costs for production. That is something which probably averaged, I do not have the figure here, but I could get it, but probably averaged between \$2,000 and \$3,000.

That leaves somewhere around \$4,000 or \$5,000 as their return for their labor and their investment and the labor, of course, of their families.

The middle third in American agriculture grossed \$1,640, or about 20 percent of the top third.

The bottom third in American agriculture netted only \$800, or about 11 percent of the average of the top third.

(The tabulation referred to follows:)

*Distribution of 1942 farm income, by income groups*

	Number of farms	Live-stock income	Crop income	Payments	Off farm	Home goods	Total average
Group I .....	1,954,000	\$3,952	\$2,573	\$303	\$92	450	\$7,370
Group II .....	1,824,000	541	514	46	164	375	1,640
Groups III and IV .....	2,019,000	123	257	10	190	220	800
United States total ...	5,797,000	1,545	1,118	120	149	346	3,279

#### PRICES, INCOME, AND PRODUCTION ON SMALL FARMS

An analysis of the Nation's farms by income groups in 1939 and 1942 will clearly show the effects of rising prices upon the income and production ability of the farmer.

The Bureau of Agricultural Economics has classified the Nation's farms into four groups on the basis of data taken from the 1940 Census of Agriculture. This classification attempted, on the basis of income, to group together farms according to their capacity to produce and their ability to utilize the labor that is available. In one group were included all those farms on which full employment is provided for at least one worker; in a second group were included all those farms not now utilizing the labor of one worker but capable of expanding immediately



to the point at which such a utilization would take place; and in third and fourth groups were included those farms which could not readily expand their productive capacity. The following brief table shows the number of farms in each group as delineated by Bureau of Agricultural Economics (for the year 1939):

Group I .....	1, 954, 000
Group II .....	1, 824, 000
Group III .....	858, 000
Group IV .....	1, 461, 000
Total in United States .....	6, 097, 000

Inasmuch as full employment for at least one worker is represented by an income level which is dependent on type of farm and location, the income limits for the several groups are not uniform throughout the country. The income limits which were used in the Bureau of Agricultural Economics classification of farms are given below:

States	Group I	Group II	Group III	Group IV
Massachusetts, Connecticut, Rhode Island, Delaware, Maine, Maryland, Vermont, New Hampshire, New Jersey, New York, and Pennsylvania.	\$1,000 and over.	\$400 to \$999....	\$250 to \$399....	Less than \$250.
Wisconsin, Michigan, and Minnesota.	\$1,500 and over.	\$600 to \$1,499....	\$400 to \$599....	Less than \$400.
Ohio, Indiana, Illinois, Iowa, and Missouri.	.....do.....	.....do.....	.....do.....	Do.
Kentucky, North Carolina, Tennessee, Virginia, and West Virginia.	\$750 and over..	\$400 to \$749....	\$250 to \$399....	Less than \$250.
Alabama, Florida, Georgia, and South Carolina.	.....do.....	.....do.....	.....do.....	Do.
Arkansas, Louisiana, and Mississippi.	.....do.....	.....do.....	.....do.....	Do.
Kansas, Nebraska, North Dakota, and South Dakota.	\$1,500 and over.	\$600 to \$1,499....	\$400 to \$599....	Less than \$400.
Oklahoma and Texas.	\$1,000 and over.	\$400 to \$999....	\$250 to \$399....	Less than \$250.
California, Nevada, and Utah.	\$1,500 and over.	\$600 to \$1,499....	\$400 to \$599....	Less than \$400.
Colorado, Montana, and Wyoming.	.....do.....	.....do.....	.....do.....	Do.
Idaho, Oregon, and Washington.	\$1,000 and over.	\$400 to \$999....	\$250 to \$399....	Less than \$250.
New Mexico and Arizona.	.....do.....	.....do.....	.....do.....	Do.

These are census income figures. They include the value of all products sold, traded, or used at home in 1939. They do not, however, include all of the income received by farmers. In addition to his gross farm income, which is what the census shows, the farmer receives various Government benefit payments and a rather substantial income from off-farm work. Figures on the exact amount of Government payments can, of course, be readily obtained, but only estimates are available on the farmer's income from off-farm employment.

Changes in income received by the farmer between 1939 and 1942 were very pronounced. Differences in the income received by farmers in different groups are also striking. In the following table are shown figures representing fairly accurate approximations of the average income received by farm families in each of the groups in 1939 and in 1942 (groups III and IV have been combined in this table for purposes of simplification):

	Number of farms	Average income, 1939	Average income, 1942	Percent increase, 1939-42
Group I .....	1, 954, 000	\$3, 800	\$7, 370	94
Group II .....	1, 824, 000	1, 070	1, 640	53
Groups III and IV .....	1 2, 319, 000	540	800	48

<sup>1</sup> This figure had probably dropped to 2,019,000 in 1942. The 1942 income figure shown above has been calculated for the average farm left in this group in that year.

A few words are necessary to explain the method by which these figures were obtained. Inasmuch as the Bureau of Agricultural Economics classification of farms was based directly on census data for 1939, it was a simple matter to determine the proportion of the total value of farm products received by each

group in that year. However, two adjustments had to be made before the average income figures shown above could be obtained. First, the proportion of the value-of-products figure shown by the census for each of the groups had to be applied to a later and more accurate figure on total cash income from farm marketings, which was considerably higher than the census value-of-products figure. Second, to this figure had to be added Government farm payments and income from off-farm work. Government payments were distributed among the groups in the same proportion as income, and the receipts from off-farm work were calculated for each group on the basis of census figures showing the number of days worked off-farm by operators in different income levels.

Arriving at the 1942 figures involved several steps. First, the total figure for farm marketings of each type in 1942 was broken down among the three groups in the same proportion as the 1939 income, but since livestock is concentrated in the hands of the top third they got the biggest increase. Second, the average value of home-use goods was increased by a percentage equal to the rise in prices on the farm from 1939 to 1942, plus certain volume increases by the smaller farms with inadequate home-use production in 1939. Third, the total amount of Government payments in 1942 was applied by groups in the same proportion as farm income. Fourth, an estimate was made of receipts from off-farm employment based on available information on work opportunities and increased work load on individual farms in 1942.

In the tables which are attached to this report are given figures showing in some detail the sources of income on the average farm in each group in 1939 and in 1942. It is obvious that farmers as a whole benefited greatly from price rises from 1939 and 1942. It is also obvious, at the same time, that by all odds the greatest benefits were received by the farms in group I.

In 1942, the average group II farmer was still not fully employed and still not in a position to expand production without outside assistance. After 3 years of spectacular price rises, he was making a gross income of only about \$1,640 in 1942, including returns from the sale of farm products, the value of home-use goods, receipts from Government payments, and income from off-farm employment. Actual records of farmers show that this income allows little money for expansion after current demands are made upon it.

A total income of \$1,640 in 1942 would probably be used by the average group II farmers about as follows:

Total income.....	\$1, 640
Value of home-use products.....	375
Total.....	1, 265
Farm-operating expenses.....	645
Balance.....	620
Family living expenses.....	390
Balance.....	230
Payment on outstanding debts.....	160
Total available for capital expenditures, expansion, and saving.....	70

These figures are based on actual farm records of typical group II farmers in 1940 and 1941, adjusted to 1942 prices and conditions. It is obviously impossible for the average group II farmer, with considerably less than \$100 available for expansion of his operations, to do this job without additional financial assistance. Expansion of operations often requires a considerable investment in production capital, which in turn requires credit. In many instances, this credit was not available. In many instances, it is still not available.

Mr. HANDSCHIN (continuing). When I say that price is not the primary need of farmers, I say so advisedly. The income of the top third almost doubled over 1939, it almost doubled, because those producers were the producers that had livestock, the largest quantity of livestock, and livestock prices particularly beef and hogs are the prices that have gone up most, and consequently the biggest increase in farm income has gone to the top third of our farmers. Four million of our farmers had an average gross income this past year of

only \$1,200, out of which they had between \$200 and \$300 of cash production expenses, and had left only between \$900 and \$1,000 for their family living, and if they had anything left after that to help them expand their farms, it would be extremely little.

Consequently, the situation that we are up against is that two-thirds of our farmers still do not have sufficient production, and volume of production on which to make savings, to expand their farm plants. They still do not have, by and large, large enough farm plants that are adequate to fully use the labor of the farmer and his family. Most of them lack sufficient livestock to give them work through the year.

Mr. HULL. Well, Mr. Handschin, may I call your attention to one paragraph in relation to those figures, that I come from a district where our farms average small, about 114 acres, and 20 percent of our farms are in the poor class, and we have plenty of livestock, and we have plenty of land, all we can take care of if we had the facilities.

What would you advise, the abolition of all of those farmers and the organization of the small farm into the large farm in order to remedy the situation?

Mr. HANDSCHIN. By no means, Congressman, but the fact that the income of farmers is low is an indication not primarily that prices are low but primarily that they do not have an adequate farm plant to efficiently use the labor of their family, and on the other hand the fact that income doubled for the top third of American agriculture is a sign that farm prices are relatively favorable for that group.

Mr. HULL. Is not this a fact, though, that the large producer may produce less per acre than the man that is on the small farm, and still have a larger income?

You take your citrus fruits, for instance, you take trucking, and you take various branches of farming where you have very large yields. I see today that the potato crop in Florida is averaging about \$1,200.

Now, that brings them all into the higher class, into the higher paid class of farmers.

What are you going to do with the small fellow? How are you going to get rid of him?

Mr. HANDSCHIN. My suggestion, Mr. Hull, is that we need to recognize that a large portion of our farmers do not today have an adequate farm under efficient methods of production to give them full year-around work, and consequently they do not gross enough that they can efficiently maintain that farm and their family.

Mr. HULL. Well, I think that as far as that year-around work is concerned, I am quite familiar with it up in my country and I think that you are; I have not noticed any of them loafing any, but they are averaging about 72 hours a week.

Would you not advise that we close down these small farms in order to provide the labor for the large farm?

Mr. HANDSCHIN. In the case of dairying, I think that you would find that there are a good many dairy farmers in your district and in the State of Wisconsin and elsewhere who still lack a herd large enough and the equipment that they need, for that matter it is land in some cases, to bring their operations up to a level on which they can have a well-balanced farm.



It is those farmers about whom I am speaking.

Mr. HULL. What are you going to do with them?

There is one thing, you have got to enlarge the plant or get rid of the farmer.

Mr. HANDSCHIN. Well, you can enlarge the plant, and that is our proposal. We are not making it before this committee. I am simply pointing out that it is possible to enlarge many of our farms, not in terms of land, although some of them can be enlarged in terms of land, but it is possible to enlarge them in terms of the application of fertilizer, better organization of their farming plant, the making available to them of equipment which they do not now have, and in particular, in large areas of this country, giving them adequate livestock, so that they have available on the same amount of land an economy, a farm economy which gives them a larger source of income and an opportunity to utilize their labor through a greater part of the year.

Miss SUMNER. Just a minute, if you please.

On these farms, this third group of farms, of low-income farms, on which you say that there is no manpower problem and there is a surplus of manpower, what is the top limit as a rule of the acreage on those farms?

Mr. HANDSCHIN. Well, that would vary greatly.

Miss SUMNER. In other words, what would be the larger type farming, the size of the farms?

Mr. HANDSCHIN. I do not have those figures here. That would vary greatly.

Miss SUMNER. Of course it would vary, but I thought in particular sections, I suppose that it would be around 80 acres, where we are.

Mr. HANDSCHIN. It would be less than that. I think an 80-acre farm in Illinois would be in the middle group that I mentioned. These are farms that primarily are located in the cut-over areas, and certain parts of the South, but also to be found in every State in the country.

Miss SUMNER. About what size farm would you say for the Middle Western States?

Mr. HANDSCHIN. In the Middle Western States they would be 15- or 20-acre patches, and smaller, of which there are a good many.

Mr. HAYS. The Farm Security Administration is the answer to that, is it not?

Mr. HANDSCHIN. That is some answer, but these farmers need some more guaranteed prices than they have. They need something like a war contract that will give them a guaranteed price and will advance them credit and they need in addition to that some technical skilled assistance to help them organize their operations in better shape.

Miss SUMNER. Do you feel if the farms were divided into smaller farms, there would be no manpower problem?

Mr. HANDSCHIN. I hope I did not imply that. There are areas where we might have more intensive farming if we had family ownership instead of corporation ownership.

Miss SUMNER. And another question I want to ask you: Now I do not know anything about these very large farms, personally, but I presume that you do.

You say that the difference in income there is due to the lack of livestock. Do not most of those larger farms raise mostly wheat? Are not those large corporation farms?



Mr. HANSCHIN. The top third that we are talking about here, nearly 2,000,000 farms located in all sections of the country, would include a great many of the larger farms in the Middle West.

I mentioned the livestock because of this reason, that the top third had an estimated increase in its gross income of 94 percent over 1939, whereas your middle third had an increase of only some 54 percent, and your bottom third less than 50 percent, and the reason why the top third got a larger percentage increase over what they had in 1939 was because it is on those farms where you will find the concentration of beef and hogs.

Mr. KUNKEL. In other words, price is the factor, the articles that the large farms, the prosperous farms, were producing and selling and received a higher price proportionately than the commodities which were being raised on the smaller farms, and therefore their net gain, and this greater increase that they secured was in great measure due to price, was it not?

Mr. HANDSCHIN. Yes; it was due to price, and due to the fact that they raised particular commodities.

Mr. KUNKEL. Because they were fortunate enough or whatever you want to call it, to be raising those commodities, but I understood you to say that prices were not the important factor at the start of your explanation of this particular point.

Mr. HANDSCHIN. What I said was that for 4,000,000 farmers price is not the most important factor. It is important and proper guaranty of those prices and prices adequate to cover their production costs are important, but the most important thing is the fact that those farms are not large enough to efficiently utilize the labor of those farm families, and that is demonstrated very clearly, I think, by the fact that 4,000,000 of these farms averaged only \$1,200 gross income, but 2,000,000 averaged nearly \$7,500 gross income.

Mr. KUNKEL. I agree with you that that is a very important factor. The only point I was trying to make was that prices also are an extremely important factor, and that we have to consider the price, particularly in our deliberations in this committee.

Mr. HANDSCHIN. Let me say it another way around. If you tripled the price of the products raised by the lower third of our farmers, they still would not have an adequate farming operation. They still would not have, and I am assuming that there would be no increase in their cost of living, any substantial savings to help increase his plant.

You could triple all farm prices, and 2,000,000 of our farm people even if there were no inflation as a consequence and there would be, 2,000,000 of our farm people still would not have, or be able to save enough to get, a farming operation that was efficient.

Mr. KUNKEL. I would like to see some figures on that.

Miss SUMNER. Where do you get these particular figures?

Mr. HANDSCHIN. They are derived from a study made by the Bureau of Agricultural Economics, based upon a new type of material available from the 1939 census, and adjusted to 1942 income.

The Census for the first time in the history of this country allowed the Bureau of Agricultural Economics to analyze a sufficient sample that we might find out what actually happens to your larger farmers

and your smaller farmers. Prior to this time any such matters have never been based upon an accurate analysis of the census.

Miss SUMNER. You mean that they took samples as in the Gallup poll?

Mr. HANDSCHIN. They took a sample of 120,000 farms from the 1939 census, which was an adequate sample by all statistical methods, and from that information for the first time we have available some light and information on the realities of American agriculture.

For many years we talked about the average income of American farmers, and it does mean something, and it is too low, Mr. Chairman, it is still too low, and we have talked about the average income and the average farmer, but behind those national averages there are a lot of revealing facts, and we have now dug some of them out and we find, as I indicate here, that the top third of our farmers are about nine times as well off, roughly, as the bottom third of our farmers.

Mr. TALLE. May I ask a question at that point?

Suppose that you took some other form of economic endeavor, like retailing, merchandising, manufacturing, or anything at all, and you divided the people engaged in that activity into thirds, as you have done in this instance, do you think that you would find a comparable situation or something different?

Mr. HANDSCHIN. I do not believe that you would find a situation showing such extremes, for the simple reason that it is only in farming that you will find the terrific exploitation of families and of farm people that results in some of our people attempting to live on these pitiful incomes.

I do not think that you can find a spread in costs of production of that sort in any branch of manufacturing.

I doubt if you can find it even in retailing where you have the closest analogy.

Mr. TALLE. You have not attempted to make a comparable study?

Mr. HANDSCHIN. Frankly, I have not.

Miss SUMNER. One more question.

Farmers have often been criticized by other groups because they said that only the big farmers keep books and accounts, and that little farmers did not keep accounts.

Is that your experience in compiling these figures?

Mr. HANDSCHIN. Well, not in compiling these figures, but it is true that your larger farmer, if he operates the farm himself, otherwise he may do it through a tenant or manager, very often has taken advantage of the subsidized Federal aid through the county-agent system and the State colleges.

However, the large part of our farms, unfortunately, have not found that procedure and that information adaptable to their operations, and, as a matter of fact, the only important thing that has been done by the Farm Security operation has been to adapt scientific methods of farming and of planning of farm operations to your small farmers, and work that out so that those farmers may have the benefit of Federal assistance in the same way that all through these years your larger farmers have had the benefit.

We have called in a colloquial way—we have called the Farm Security Administration the poor man's extension service.

Miss SUMNER. By Federal assistance and bookkeeping do you mean the revenue collectors?

Mr. HANDSCHIN. No; I mean simply that the county-agent system and the State colleges attempted to encourage farmers and placed their assistance at the disposal of the farmers that were so interested in establishing a system of farm books and cost accounting analysis of farming operations.

However, those practices on the part of the Extension Service have always been geared to the larger scale of farming, to the larger type of farming operations. Consequently, they have not been as adaptable to your average farmer and particularly to your smaller farmer.

Miss SUMNER. But you say, and let me get this clear, you say that in the Farm Security groups they do keep books?

Mr. HANDSCHIN. They certainly do.

Miss SUMNER. While the others do not.

Mr. HANDSCHIN. It is absolutely essential and it is one of the great benefits that Farm Security has brought to more than 1,500,000 of our farm people.

Miss SUMNER. So then to the extent that these are Farm Security farms, you would say that you could be fairly sure that these last figures of the third group are correct, is that right?

Mr. HANDSCHIN. I would say that Farm Security borrowers who have been on the program at least a year would almost all of them fall in the middle group of which I mentioned, and a few of them in the group at the top.

They have been lifted from the bottom sufficiently so that they are in the middle or top group. They still do not have fully adequate farming operations in most cases; they have better operations than they had.

Mr. MONRONEY. Do you have a table of those incomes that you can put in the record?

Mr. HANDSCHIN. Yes, sir. It is a break-down of income from crops, Government payments, from income earned away from the farm, and the equivalent value of home goods.

It is interesting to note that by all calculations the top group did get in 1942 or will get for 1942 crops approximately \$300 per farm in Government payments, and the bottom group about \$10 per farm, and that further to show the fact that your small farms do not have adequate management now, the better farms in the top third raised an equivalent of \$450 worth of goods for their home use, but these so-called subsistence farms at the bottom averaged only \$220, or less than half of what the top third did.

Miss SUMNER. Would you suggest that we should provide an amendment providing accountants services for these groups of farmers that you say do not have it?

Mr. HANDSCHIN. I do not believe that it is appropriate in this bill. We have been suggesting to the Appropriations Committee that they provide a war contract for every farmer, which will be an equivalent sort of contract to that that is provided to war industries where there is a definite contract made on a support price, and that immediately an advance may be made up to 100 percent of the full value of that con-



tract to the farmer, so that he may have available sufficient credit, and that in addition technical assistance of the sort you mention be made available.

Miss SUMNER. You say that there is an accountants service providing for larger farmers but is not provided for smaller farmer service? Would you suggest that there should be or the Government should provide an accountants service for the lower income groups of farmers?

Mr. HANDSCHIN. I suggest that the type of management assistance which has been offered up to now through the Farm Security sort of operation be extended considerably and sufficiently to assist all of the farmers who now do not have it.

Miss SUMNER. Do you think that that would give us better statistics—I will strike that.

Mr. HAYS. These figures on the value of these services consumed on the farm, are they included?

Mr. HANDSCHIN. Yes; that is the total of cash marketings, of 1942, of Government payments, of all income earned from off of the farm; that is away from the farm, whether it was working on someone else's farm or whether it was from investment or from some other kind of a job, away from the farm, and also the equivalent of goods raised on the farm for home use.

Mr. HAYS. That was between \$200 and \$300 for the F. S. A. farms.

Mr. HANDSCHIN. No; the F. S. A. clients are not specifically identified in this group. For the bottom third it was \$220 average.

Mr. HAYS. Do you have any studies there on the Farm Security group?

Mr. HANDSCHIN. No; I do not happen to have them with me today. I would suspect that they would show an average of between \$400 and \$500.

In other words, the equivalent of that which is produced by the top third of our farms for their home use.

Mr. HAYS. And what relation would that bear to their pre-F. S. A. status production?

Mr. HANDSCHIN. Well, roughly, it would be as indicated by these figures, about a doubling from most of the Farm Security clients. Not all of them would have been in this bottom third had they not been assisted, but there would have been many more people in this bottom third. It would be considerably more than a third if it were not for the fact that Farm Security had helped many of these people.

Mr. HAYS. Just for the purpose of emphasizing the food situation, I am wondering if the national situation is not pretty much what it is in my own State. I know that the 20,000 families that were on the Farm Security Administration rolls had only about a production of 80 quarts of food per year before they went on Farm Security and now it runs between 400 and 500 quarts.

Mr. HANDSCHIN. With many of those families canning as much as 12 or 15 hundred quarts for their own use.

Miss SUMNER. You were just suggesting when you gave that cost there that was not part of your result of your sample poll, was it?

Mr. HANDSCHIN. Which cost, may I ask?

Miss SUMNER. You said that the average income for the upper third was \$7,370, and the costs were about \$3,200.



Mr. HANDSCHIN. I was suggesting that; I was suggesting an estimate of \$3,000 or \$4,000, but I can get you the figure if you desire.

Miss SUMNER. Would not you say, if your families were in the Middle West, that a gross income of \$10,000 and a cost outside of taxes of \$6,000 would be more nearly average for that part of the country?

Mr. HANDSCHIN. Well, it depends entirely upon the type of farming of which you are speaking.

Miss SUMNER. I am speaking of one who raises corn, soybeans, wheat, and a few others, and alfalfa.

Mr. HANDSCHIN. I do not think that it would average nearly that high. I think that it would average more nearly about \$4,000.

Miss SUMNER. That is interesting, because I looked over some income returns, and they all ran about that average; three-fifths of the cost, and I am interested, because perhaps they were not so efficient as they thought they were.

Mr. CRAWFORD. If I understood you correctly, Mr. Handschin, you named as the four basic handicaps of this low income group the shortage of manpower, machinery, management, and supplies.

Mr. HANDSCHIN. Not a shortage of manpower, very definitely not. The only reason that we might look to these farmers for more production is the fact that they do not now have large enough operations to efficiently use their labor and that of their family in most cases.

Mr. CRAWFORD. Let us see if you did not mention the shortage of manpower.

Did you not say something about them needing supervision?

Mr. HANDSCHIN. I mean a shortage of manpower in performing the physical function of farming.

Mr. CRAWFORD. I am talking about a shortage of manpower for the whole operation.

Mr. HANDSCHIN. There is a shortage of manpower in the sense that you mention, in the sense that these people do not now have adequate capital and adequate planned operations.

Mr. CRAWFORD. Let us stick to the manpower a minute.

Do you mean to say that your concept of that approach can be carried out without utilizing any additional manpower, and without drawing on the manpower pool which we are now attempting to establish, or will you have to draw on that pool?

Mr. HANDSCHIN. No; you will not have to draw on it.

Mr. CRAWFORD. Where can you get your supervisors?

Mr. HANDSCHIN. There are plenty of them today.

Mr. CRAWFORD. What are they doing?

Mr. HANDSCHIN. Well, some of them are out helping farmers' organizations enroll members when they should be——

Mr. CRAWFORD. Men or women?

Mr. HANDSCHIN. There are men and women.

Mr. CRAWFORD. Are they subject to military service?

Mr. HANDSCHIN. They are not, because their state employment automatically defers them in most cases.

Mr. CRAWFORD. Well, suppose as we move into this greater effort which I understand the War Mobilization Board is proposing to do, as created today, those people will be forced to move into direct military operations or on the direct prosecution of the war. Where then are you going to get your manpower?

Mr. HANDSCHIN. They are presently deferred because they are supposed to be assisting some farmers at least in giving them scientific information.

Mr. CRAWFORD. Well, then, could we agree on this, to the effect that that situation would prevail, there would have to be added to the picture additional manpower?

Mr. HANDSCHIN. Well, if there are enough ifs added, there would have to be, but at the present time there is no shortage of trained personnel in agriculture to help all of the farmers who need help.

There would be a shortage of credit unless the farmers can get a war contract and get 100 percent borrowing on the contract the day he signs the contract, or some substantial portion thereof.

Mr. CRAWFORD. Do you mean to say—and I am seeking information now—do you mean to say that at the present time we have the supervisory staffs of agriculture overmanned?

Mr. HANDSCHIN. I would say that they are overmanned in the sense that they could be used to much better advantage.

Mr. CRAWFORD. And handle a greater volume of work?

Mr. HANDSCHIN. That is right.

Mr. MONROEY. It is a question of distribution.

Mr. HANDSCHIN. Yes; of what functions they attempt to handle.

Mr. CRAWFORD. Then was I correct in the other three elements, machinery, supplies, and manpower?

Mr. HANDSCHIN. There are three of them, and there also is a need for greater price protection for all farmers including the 4,000,000 under employed farmers, and there is a need for greater credit, partially to get the machinery that you are talking about, and partially to finance these crops.

Mr. CRAWFORD. Well, now, do you know any way to unlock this machinery shortage at the present time?

Mr. HANDSCHIN. We could make a good deal of our machinery go further than we do. We are going to have more machinery as soon as we can get the steel made into machinery.

Mr. CRAWFORD. Let us say it this way. If we can get the steel, we will make it into machinery.

Mr. HANDSCHIN. We presume that we have the steel, and that we are going to have more machinery.

Mr. CRAWFORD. I am going to give you an invitation to come down to my office and read several letters from hardware dealers and farm implement dealers which have come to my office in the past 15 days, certifying that this machinery will not be available for this year's crop.

If you know of any way to make it available, I want to dictate a letter to my stenographer so that we can make these people familiar with your views.

Now, then, another "if" comes in, if that machinery is not available for the farmers who are now waiting for it, certainly it would not be made available for this group to which you refer, and, of course, that group includes part of these low-income people.

Now, on the question of management, what do you mean by management? Do you mean the supervisory management to which we have already referred?

Mr. HANDSCHIN. I mean that, as I indicated, a large portion of our farms are undercapitalized, and consequently they are not using either

their present resources, nor do they have an adequate plan of operations. Consequently they need some skilled technical assistance to help them plan.

Mr. CRAWFORD. But that would come from this group of supervisors to which we have already referred.

Mr. HANDSCHIN. Yes.

Mr. CRAWFORD. Have you ever lived on a farm?

Mr. HANDSCHIN. Yes, sir; I have.

Mr. CRAWFORD. How many years did you spend on the farm?

Mr. HANDSCHIN. I have spent summers; I have never lived on a farm throughout a whole year.

Mr. CRAWFORD. You have never operated a farm on your own?

Mr. HANDSCHIN. No; I have not.

Mr. CRAWFORD. Did any of your family ever operate a farm?

Mr. HANDSCHIN. Oh, yes.

Mr. CRAWFORD. How far back?

Mr. HANDSCHIN. My folks are farmers on both sides of the family, and I—

Mr. CRAWFORD. Was your father a farmer?

Mr. HANDSCHIN. Yes, sir; and I have relatives living on farms in plenty of States.

Mr. CRAWFORD. How long did he live on a farm when you were born?

Mr. HANDSCHIN. He was not on a farm when I was born. He left the farm about 3 years before I was born.

Mr. CRAWFORD. So you have never been, outside of summer vacations, then, directly related to the farm.

Mr. HANDSCHIN. That is right; and I am not basing what I say here directly upon my farming experience. I am basing it upon my training as an economist.

Mr. CRAWFORD. Have you ever had any experience in the processing or marketing or transporting of farm commodities, directly or indirectly?

Mr. HANDSCHIN. I have worked in canneries.

Mr. CRAWFORD. What kind?

Mr. HANDSCHIN. Tomato, corn, and peas.

Mr. CRAWFORD. How much altogether?

Mr. HANDSCHIN. About two summers.

Mr. CRAWFORD. About two summers?

Mr. HANDSCHIN. Yes, sir.

Mr. CRAWFORD. Probably 3 months altogether?

Mr. HANDSCHIN. Yes, sir.

Mr. CRAWFORD. You have never had any experience in marketing?

Mr. HANDSCHIN. Well, other than what I happened to have marketed in a very small way from produce that I raised myself.

Mr. CRAWFORD. I mean, where did you raise that produce?

Mr. HANDSCHIN. Well, in a family garden patch of an acre or so.

Mr. CRAWFORD. What has been your experience since you finished your schooling?

Mr. HANDSCHIN. I have been employed at a number of occupations, some of which had bearing upon agriculture. I spent 2 years at the college of agriculture of the University of Illinois doing research work there, and I have been here in Washington some 5 years associated with the Farmers Union, and I have had some graduate work

in agricultural economics, and economics generally, as well as research work in agricultural fields.

Mr. CRAWFORD. Well, now, let us go on to this lower income group, and see if you can give us some light on this because I am interested in your general presentation here very much.

If you have a farm on the cut-over lands in Minnesota, or Wisconsin, we will say, the reason I refer to those areas is because I am familiar with all of them, and I know how poor the soil is, and something about the living conditions of the people who live on those farms.

When you get to that particular group, would you recommend that we put livestock and machinery and supplies in the hands of families living in those particular cut-over areas?

Mr. HANDSCHIN. Well, there certainly is occasion to make better use of our land in the cut-over areas.

Mr. CRAWFORD. Well, now, that particular land that I am referring to.

Mr. HANDSCHIN. Much of the land can support grazing operations. Much of it, however, ought to go back to forestry, with combined grazing operations, as you well know.

Mr. CRAWFORD. What would you do with those families in order to correct this general trouble? What would you do with those families on farms where the soil is so poor that there is no chance on earth of building it up? There never was any soil there and never will be.

Mr. HANDSCHIN. It is very possible that during this emergency some of those families may leave the farm for some place where they have opportunity to make a better living. I think that if we had a real forestry program, and a real land-use program, that we could make considerable employment available tending the forests, manufacturing wood products, and combining grazing as well as some limited farming with some of that land area.

Mr. CRAWFORD. With that kind of approach, that would take care of more or less of this lowest income group to which you refer.

Mr. HANDSCHIN. In those areas.

Mr. CRAWFORD. In those areas.

Mr. HANDSCHIN. Yes, sir; it would.

Mr. CRAWFORD. Then your concept involves something in addition to farming, we will say.

Mr. HANDSCHIN. As far as adjustments that are needed in the cut-over areas, you certainly could not do a good job until you did do something to replace most of those cut-over areas back in forests.

Mr. CRAWFORD. Would you also carry the reforestation concept and operations of that type to the southern farms in the eroded areas?

Mr. HANDSCHIN. Well, not entirely in the eroded area, but there are areas in the South, some areas, which have been stripped of their forests, and where the land use probably is superior for forestry purposes, combined with grazing in some cases, to any other use. I think that after this war one of the great things that this country will have to face is the fact that we have practically exhausted or will by the end of the war our timber resources, and that we will have to embark, as the European nations did, upon a large-scale program of reforestation in the Southern States and in the other cut-over areas.

Mr. CRAWFORD. And that part of the program is in no way covered by this roll-back and farm subsidy approach.



Mr. HANDSCHIN. No; that would not be helped, Mr. Congressman.

Mr. CRAWFORD. All right. Now, let us go to the small farm where the soil is fairly fertile, and could be made more so if you had a few head of cattle there and used the natural fertilizer.

Take a farm say of 40 acres, where there is a man and wife, in reasonably good health, and maybe four or five children. Their plant is so small that their time is not occupied, and their gross production is so small that their gross income results in \$1,200 or less per year.

Specifically what would be your proposal there? Would it be to provide additional land for them, to provide some additional livestock and to provide for them this supervisory service?

Mr. HANDSCHIN. It would in the main. In some cases you would find that that farmer is now employed either in a war industry or is working as a skilled laborer on some other nearby farm that is larger.

We did not contemplate that we would at this stage, at this time at least, assist such farmers if they were so employed. If they were not so employed, there is a possibility in some cases of enlarging those farms due to the fact that some neighbor may have abandoned his place or desires to or will abandon it, to leave for other agricultural employment elsewhere or industrial employment elsewhere.

Mr. CRAWFORD. So in other words, we get back into the realm of "ifs." If he is now working in war industry, we would not be concerned about him for the time being.

Mr. HANDSCHIN. That portion of the low income under employed farmers which we have just mentioned, we would not consider as the group which would have the immediate need and the best possibilities if they could have more livestock, better equipment, and so forth.

Mr. CRAWFORD. So then you would have the problem there of either moving that farmer or else acquiring adjoining land; would you not?

Mr. HANDSCHIN. Not necessarily. It depends on what the 40 acres were like. We estimate that there are about 1,400,000 out of this 4,000,000 whose situation is such that with no additional land, and without taking anyone who is now performing farm labor for someone else, that there are 1,400,000 now without adequate plants, and who could be materially assisted and who could produce materially more on their present land resources.

Mr. CRAWFORD. Let us take the 1,400,000 then who have all of the land, we will say, that they need, for argument's sake. Is that right?

Mr. HANDSCHIN. All of the land that they can now get.

Mr. CRAWFORD. So then you would add to their land more livestock, more machinery, more supplies, and the supervisory service; is that correct?

Mr. HANDSCHIN. Yes.

Mr. CRAWFORD. Now, let me take you into another field for a second. I do not want to follow this very long. Let us take the corner-grocery fellow, where he and his wife are in reasonably good health, and he only has \$1,500 to \$2,000 worth of stock in his store, and he has got three or four children coming up, 16 years old, and a 12-year-old daughter, a 10-year-old daughter, and a 6-year-old son.

His gross income is limited by the size of his store and his capital and the stocks of goods. Therefore he is in a very low income group. What do you think that we had better do with that fellow?

Mr. HANDSCHIN. Well, I do not represent small grocers, so I could not say.

Mr. CRAWFORD. I know you do not. He is in the same class, economically speaking.

Mr. HANDSCHIN. In most cases those small grocers have banded together in independent chains, so to speak, and have made savings on their purchases, so that they might compete with larger and more favorably placed competitors.

Mr. CRAWFORD. Well, now, I think that you don't want to get over into an argument like that.

Mr. HANDSCHIN. I am just stating that as a matter of fact.

Mr. CRAWFORD. Well, I think that I know those facts probably as well as you do.

Mr. HANDSCHIN. The reason for raising this, Congressman, is the fact that the upper third of our farmers are now producing at capacity, and they are getting prices that are presently adequate. They made more money this past year than they have ever made before, which is probably true of all of our farmers, and they made a greater increase.

Mr. CRAWFORD. I am not discussing the upper third. I am talking about this low-income group whose gross income is so low that there is no chance for his farm to survive economically according to the concept which you have presented.

Mr. HANDSCHIN. Without additional capital and without better management.

Mr. CRAWFORD. I take up another group here, 3 miles from him in some cases, and I am just asking you as a student of matters of this kind, if you have any suggestion, and I do not want to pursue this very far, as to what you are going to do with the fellow who is in a different field but similarly situated and whose economic problems involve the same propositions as to whether or not the Federal Treasury shall lift him out of his economic status.

Mr. HANDSCHIN. I would consider that, when the grocers as a whole come down here and tell me that here is this little fellow down here, not able to stay in business and consequently we need an increased price at O. P. A. in order to keep him in business.

Mr. CRAWFORD. That brings me up then to this question, which I have a notation on here.

The Farm Bureau and the National Grange make one approach, and you make an entirely dissimilar approach, and I might say to you that I would consider your approach, when the farmers as a whole come down here and support it.

You have said when the grocery men as a whole come down that is when you would take up the problem, so that is about the best answer that I can give you to your proposition.

The farmers as a whole are not here supporting subsidies as a whole, and they are not here supporting the Federal Treasury doing this thing that you are speaking about, and the grocery men as a whole are not down here and will not be down here supporting this other proposition.

Mr. HANDSCHIN. That is true.

Mr. CRAWFORD. We are discussing the low-income group.

Mr. MONRONEY. If we had to have more grocery stores to win the war, I am sure that there would be a case there.

The CHAIRMAN. Is there any assistance to the farmers necessary to win the war?

Mr. MONRONEY. We have got to have more farm production.

Mr. HANDSCHIN. I would like to complete that line of thought, Mr. Congressman. I would like to complete this thought if I could.

Mr. CRAWFORD. You have not any plea whatsoever to make in behalf of the fellow who is underfinanced or who has too small a capital structure and who is engaged in activities other than agriculture?

Mr. HANDSCHIN. I certainly have; only as a practicality I think that we would turn first to people who were not otherwise engaged and assist them, and we certainly would not want to assist farmers now doing skilled labor for one of their neighbors to make our farm-labor situation more critical than it now is.

I would like to complete this argument, simply that our upper third of farmers now have——

Mr. CRAWFORD. I have two other questions that I would like to ask him, if he does not mind.

Mr. HANDSCHIN. Not at all.

Mr. CRAWFORD. Did I understand you to say a while ago that you wanted the R. F. C. to carry the loss burdens incurred by the Commodity Credit Corporation?

Mr. HANDSCHIN. I suggested that we separate whatever losses or profits might be made under Commodity Credit operations annually, so that on the operations which they do for the Lend-Lease they would be repaid if it happened to be losses, by the Lend-Lease Administration, and on the foreign purchases mostly made at the direction of B. E. W., they would be repaid by the Reconstruction Finance Corporation.

Mr. CRAWFORD. Now, the reason I raised that question is to get something straight here. If I understand the proposition, Mr. Chairman, the Commodity Credit is entirely divorced from the Reconstruction Finance Corporation as to accounting losses.

The CHAIRMAN. Oh, yes.

Mr. HANDSCHIN. That is correct, but the Reconstruction Finance Corporation is, as I understand, doing a considerable portion of the purchases and other activities for B. E. W., and that Commodity Credit Corporation is only doing a small portion of such purchases.

Mr. CRAWFORD. Well, what I want to get clear on——

Mr. WOLCOTT. The R. F. C. is financing the purchases of B. E. W.

Mr. HANDSCHIN. My whole point is that we should set up bookkeeping which would indicate if there are any losses or if there are any profits to whose credit it ought to go, so that then we might know in any future report coming from Commodity Credit Corporation who we should charge it up to.

The CHAIRMAN. Let me ask you a question right there.

As the matter stands, the B. E. W. is responsible for certain Government activities incidental to the war program involving purchases in various parts of the world.

Mr. HANDSCHIN. Yes, sir.

The CHAIRMAN. At the present time we have the R. F. C. upon that order to supply part of that money, by borrowing, which is not reflected in the appropriations for the conduct of the war.

Mr. HANDSCHIN. That is correct.

The CHAIRMAN. Is that correct?

Mr. HANDSCHIN. I do not know. I do not happen to know. I understood that that was on.



The CHAIRMAN. Then we have the Commodity Credit Corporation to render a similar service for them by purchasing some of the things that they use in their operations out of their funds.

Mr. HANDSCHIN. That is right.

The CHAIRMAN. Now, you propose to add to that machinery, a provision that would involve a further move in the circle by having the Commodity Credit Corporation not only to make these purchases and supply the money for B. E. W., but in addition also render an accounting to the R. F. C.

Mr. HANDSCHIN. I proposed—

The CHAIRMAN. Is not that what you suggested?

Mr. HANDSCHIN. That we separate—

The CHAIRMAN. Is not that correct?

Mr. HANDSCHIN. I suggested that—

The CHAIRMAN. Did not you suggest what I have asked you?

Mr. HANDSCHIN. No; I do not believe that I did. I suggested that at the end of each year the net losses if any on operations performed by Commodity Credit Corporation for the B. E. W. be compensated by R. F. C. to the Commodity Credit Corporation and the purpose of doing so is that we might thereby separate the functions the Commodity Credit Corporation is performing and attribute the losses where they belong.

The CHAIRMAN. Now, what is your reason for that?

Mr. HANDSCHIN. My reasoning is that Commodity Credit Corporation is established presumably to assist the farmers of the country, and if there are losses sustained for the purposes of keeping price ceilings or importing commodities that they should be repaid by whatever organization orders them.

The CHAIRMAN. Now, let me ask you, do you not think that the direct common sense way to go about financing the B. E. W. is for them to transact their own business and come to the Congress of the United States for appropriations of the funds necessary to carry on their work?

Mr. HANDSCHIN. I do not know how awkward it would be. I do not happen to be thoroughly familiar with the operation of the B. E. W.

The CHAIRMAN. You have just made a suggestion about how their financing should be done, and I am asking you whether you do not think that this should be the proper way to do it.

Mr. HANDSCHIN. I made a suggestion that the losses incurred at the instigation of the B. E. W. should be recompensed by some agency other than the Commodity Credit Corporation.

The CHAIRMAN. I understand you, but I am asking if you do not think a more common sense way would be to let them have the fund appropriated out of the Treasury and carry on their own business without involving these.

Mr. HANDSCHIN. Offhand I would say "yes," but I do not happen to know enough about it.

Mr. FOLGER. I think early in this discussion Mr. Crawford very wisely suggested that the lend-lease should take care of itself, and if there were any losses accruing to the Commodity Credit Corporation on account of purchases made for lend-lease—lend-lease should bear that.



The CHAIRMAN. I made the same suggestion.

Mr. FOLGER. And the same thing applies to the Board of Economic Warfare.

The CHAIRMAN. I made the same suggestion.

Mr. FOLGER. Now, the only reason that the Commodity Credit Corporation would ever come into this is that they are in a position to purchase certain commodities, maybe foods and things, just simply as an agency, but at the same time they shall not bear that loss.

The CHAIRMAN. As a matter of fact, Mr. Hutson, I think, virtually said that they did not have any losses or contemplated any, but I expressed the view that you are speaking of.

The thing that I am speaking and thinking about now is, Should the Commodity Credit Corporation do these things, and then have to establish another agency of the Government in order to carry on their transactions?

Mr. HANDSCHIN. Mr. Chairman, we might be duplicating a lot of our personnel if the B. E. W. had to set up personnel to perform the functions that the Commodity Credit does for it, and which the R. F. C. is not prepared to perform.

The CHAIRMAN. You do not mean that the Commodity Credit has got any surplus idle personnel, do you?

Mr. HANDSCHIN. No; I do not.

The CHAIRMAN. You do not mean that we have got an agency of the Government that has a personnel that is not employed already to the extent that they can take on another important responsibility. Of course, whenever you expand the duties, you are going to have to supply additional personnel, no matter who that is.

Mr. HANDSCHIN. It is my understanding that these duties were carried out by the Commodity Credit Corporation because they did have the personnel and if you remove these functions and had to establish a new group of personnel to perform the same functions, you might find that you were not doing it as efficiently as you are now doing it.

I would like to proceed, and I would like to conclude what I was saying a moment ago, that as far as the upper third of our farmers are concerned, they are producing very nearly at capacity. There are many things that we can do to help them produce a little better, and included among that there are some price adjustments but in general they cannot produce any more than they are now producing unless they purchase more farms and enlarge their operations in that sense, and proceed to make those farms which they have purchased more efficient than they are now.

Consequently we have thought that an increase in production must come largely from the 4,000,000 of our farmers whom I have mentioned, and who do not need primarily higher prices but do need more equipment and so forth.

With that statement I would like to go ahead and complete my argument.

The CHAIRMAN. You may proceed.

Mr. HANDSCHIN. As I mentioned in the beginning, we feel that it is desirable that the Commodity Credit Corporation have the freedom to meet emergencies and to use subsidies if that is what you desire to call them to make adjustments in prices for farmers.

We do not feel that they should be subsidizing these roll-backs. We feel that the subsidy method as a wartime proposition is almost a necessity. It has been found to be the experience of every other country at war, as far as we know. We believe that not only are there instances where there is too much delay occasioned by raising price ceilings, and you need to move faster, but it is also true that often you can use a subsidy with a more delicate effect and more accurate effect than you can apply a straight across-the-board raise through raising the price ceiling, and it is true in some instances that it would be cheaper to the Government.

I would like to point out this, however, that much of our trouble in agriculture right now is stemming from the unfortunate attempt to put ceilings on some of our farm commodities which we are in no position to follow up and enforce. I refer particularly to the ceiling on corn, and for that matter on other feeds.

Much of the pressure which has been on the Congress for revising and raising price ceilings on farm products has been because of the unfortunate way in which the matter of the corn ceiling has been handled.

We would like to see, and we think that it can be done, and we understand that the Food Administrator is in agreement with us, that on those farm products which serve as raw materials for other farmers to utilize in the production of the final product to go to the consumers, that we should have no ceilings, and instead they should seek their natural levels.

We think that by now it is appropriate to take the step, and let me explain myself a little further.

We have feeds of one kind and another, and that is what I am speaking of here, which go into several different types of livestock, and those different types of livestock require different quantities of labor and different types of machinery and different combinations of feed.

Our difficulty today is caused by the fact that our feed ratios are out of line, one with another, and that our feeds consequently do not flow in the ordinary channels to the type of livestock that needs them most.

In particular, our hog ceiling is out of line with our ceiling on corn, and at the same time our dairy ceiling is too low compared with that corn ceiling. Consequently, if we were to take all ceilings off of feed products at the present time, you would have all feeds going up, but they would go up in their relation to the prices that are offered for the various livestock commodities. You would still need to adjust undoubtedly certain of your livestock prices, probably the price on milk, raising it in proportion to the increased costs both of feed and of labor.

But you would find that by such a measure you would not have the black markets in corn, and you would not have all of your corn being held to go into hogs, and you would not have cash corn producers going into hog production at the expense of some hog producer 100 or 200 miles away, who ordinarily buys that cash corn.

Consequently, you would not have the present very upsetting situation that we find in our feed supplies. In addition to that, we need

to really turn loose all of our available feed. We presently are not utilizing all of the wheat that we have available. We have a limitation on it. We have not yet begun to bring in any substantial quantities of grain feeds from Canada, or from elsewhere.

We are only now considering an expansion of feed production by planting more wheat out in the high plains area, by shifting our corn and soybean acreage so that we will get our maximum production of feed. If we do all of these things, and remove the ceilings on feeds, and probably utilize some subsidies to help further adjust the feed ratios that are out of line with hogs, then we will ease up and make much of our problem simpler than it is today.

Mr. WOLCOTT. Those are all questions of prices, are they not?

Mr. HANDSCHIN. No, they are not all questions of prices. They are questions of whether or not a farmer should increase his particular type of livestock production, and they are questions of how he should utilize his land, whether he shall raise oats in Iowa, for instance, or raise corn.

Mr. WOLCOTT. But that is a price question, is it not?

Mr. HANDSCHIN. It takes more than price to meet these situations and the ordinary reaction to prices is too slow to meet them in many cases.

It is another reason for utilization of subsidies. The farmer reacts to price over a period of 1, 2, or 3 years, and in some cases he cannot react any faster.

Mr. WOLCOTT. Although we are interested in that question, of course, isn't the machinery already set up by which adjustments might be made to control prices and to encourage increases in production and to decrease production along certain lines, to make adjustments for all of these things?

Mr. HANDSCHIN. That is right, Mr. Congressman.

Mr. WOLCOTT. What should be done about it?

Mr. HANDSCHIN. My point is simply that——

Mr. WOLCOTT. Should we memorialize the executive branch to do something about it?

Mr. HANDSCHIN. Much of the complaint that is coming before this committee is because of the ill effect of the corn ceiling, and because of some other ceilings that were unfortunately placed into effect, and I am trying to explain here that much of the request that has been made to this Congress against the use of subsidies is unnecessary, and is now presumably within the power of the Food Administrator to remedy.

It does not require this committee to do anything about it.

Mr. WOLCOTT. The Food Administrator has the authority now to subsidize to get maximum production, and he has not the authority to subsidize the prices to the ultimate consumer?

Mr. HANDSCHIN. Nor do I think that he should have them.

Mr. WOLCOTT. That is what I am getting at. You think that he should or someone should have the authority to subsidize retail prices to the consumer.

Mr. HANDSCHIN. I think that we have outstanding commitments on price ceilings which were chosen as the base from which we will work. They are not fixed, because they are related to parity, as you well know. If it is necessary——



Mr. WOLCOTT. It could be fixed from time to time?

Mr. HANDSCHIN. They are not inflexible. That is what a meant.

Mr. WOLCOTT. Any time the Department of Agriculture determines a parity, then that automatically fixes the price.

Mr. HANDSCHIN. That is right. They are flexible, and are automatically changed if they come within the parity portion of the language that Congress directed for the establishing of price ceilings.

Mr. WOLCOTT. And those parity prices, or the prices of agricultural products do not go up in relationship to the cost of living until the cost of things which the farmer buys goes up, including the cost of production of those things, do they?

Mr. HANDSCHIN. They go up as the total cash cost that farmers incur goes up, including for their own living.

Mr. HULL. I do not think that you mean that. For instance, I know that the farmers are very strong for having parity prices on labor cost, and that is not included at all.

Now, just assuming, Mr. Handschin, that you take butter, which is said to be selling at 45 percent beyond parity, and you reduce that to 32 or 33 cents, in accordance with their estimates, and at the same time you put the price of corn up. What would happen then to the dairy industry?

Mr. HANDSCHIN. I certainly think that we should not reduce the price of butter at this time. I was not aware that parity price of butter was 48 percent above.

Mr. HULL. It is 145 percent of parity. I saw that in the papers the other day.

Mr. WOLCOTT. How did the price of butter get up to 140 percent of parity?

Mr. HANDSCHIN. It is about 20 percent above. The latest figures on butter indicate that the parity price as of March was 42.9 cents, and the March price was 50.5. That would be approximately 19 percent above parity.

Mr. WOLCOTT. How did it get up to 19 percent above parity?

Mr. HANDSCHIN. I do not know for sure. I assume because the price floor was sufficient to allow it to get up there.

Mr. HULL. I can explain that to you. I do not like to butt in on my friend's testimony here, but it was fixed because Britain ordered a whole lot of cheese and did not take all that they ordered, but they did push the cheese industry up, and they even put a subsidy on it, and they had to put butter up in order to get any butter at all, and that is one of the reasons why it is above parity. It is not above the cost of production, but it is above what they call parity.

Mr. WOLCOTT. Then it is a question of administration, is it not?

Mr. HANDSCHIN. Definitely.

Mr. WOLCOTT. It is a question of administration.

Mr. HANDSCHIN. Yes, sir. I would like to say one thing further.

Mr. WOLCOTT. We have this whole subject of prices before the committee, and we have criticized, I will say, collectively we have criticized labor for insisting that wages go up, and we have said that the price of living to the wage earner has not gone up to justify an increase in his wages, and labor was given a Little Steel formula, and when the October 2 act was passed, we assumed that wages and agricultural prices would be stabilized on that formula.



How can we expect labor in all fairness, and I am not speaking for labor any more than I am any other part of our general economy, but how can we expect labor to stay put if the O. P. A. or the C. C. C. or the Department of Agriculture are letting the prices go sky high on any one or several agricultural products?

Mr. HANDSCHIN. I quite agree with you, Congressman, and I think that we have decided upon what was supposed to be an equitable and necessary relation between the major economic groups of the country, and it is our problem to hold that line now.

Mr. WOLCOTT. And if there was created a condition by which the Government thought that it was advisable to let butter go to 46 per cent above parity, there is something wrong in the administration of this planned economy, is there not?

Mr. HANDSCHIN. It is not at 46 percent above parity according to the most recent figures that I have here. It is about 19 percent above parity, and 4 or 5 months ago butter was about 9 percent above parity, so it has risen approximately 10 points in 5 or 6 months.

Mr. WOLCOTT. The purpose of my point, it does not make any difference whether it is 19 or 46; now, labor is justifying its demand for increase in wages upon the fact that the cost of living is going up, and we have said to labor, "Why, that is impossible, because O. P. A. is functioning to keep prices stable."

Now, they tell me that agricultural prices, you tell me agricultural prices are allowed to go up to either 119 or 146 percent of parity. Should we blame labor too much for trying to catch up?

Mr. HANDSCHIN. I am not blaming labor, Mr. Congressman. I would like to say this; on your comment that just as Mr. Goss indicated this morning, and as this committee is well aware, you are not going to be able to carry out a program of control of inflation unless there is in some way or another a removal of a larger portion of consumer buying power; whether that should be done by further taxation, or whether it should be done by compulsory savings, that is up to this Congress.

Mr. WOLCOTT. How are you removing buying power by subsidizing the ultimate consumer? If you allow him to buy butter for 5 cents below what is had to be sold for, to give the farmer and the processor a fair profit, you are putting 5 cents more in his pocket to spend for something else; are you not?

Mr. HANDSCHIN. Yes, sir, Congressman; and I would thoroughly disagree with Mr. O'Neill when he said that farm prices and the price of foods ought to be able to rise all that the market will stand. I think that that gets right down to power politics, as to whether or not farmers are going to break the agreement the Congress has established, and whether or not in addition to that they are going to attempt to get a major portion of the wage earner's dollar.

Mr. WOLCOTT. I may have misunderstood Mr. O'Neill, but I did not understand Mr. O'Neill to say that he advocated letting the prices of farm commodities go as high as the traffic would stand.

The CHAIRMAN. Mr. O'Neill from time to time has appeared before this committee and supported the price control bill, and has all along insisted that there should be price control.

As a matter of fact, Mr. O'Neill as far back as 1932 before this administration ever came into being or any of these agencies was heard advocating a stabilization bill in Congress.

Mr. WOLCOTT. I got from Mr. Goss' statement the fact that they advocated allowing increases in the price of agricultural commodities, raw and processed, to absorb the increases necessary to assure adequate production and to return to the farmer and processor a fair profit, and that we should do it in that manner, and not by Government subsidy to the consumer.

As an example, if a can of corn had to be sold for 15 cents instead of 14 cents, they advocated letting the price of the can of corn go up to 15 cents to the ultimate consumer rather than the Government coming in and paying or subsidizing the consumer for that cent. That is what I got out of their statement.

Mr. HANDSCHIN. It was my understanding, and I have heard Mr. O'Neill make this statement, and I have seen it in print in their organs, that because of the fact that consumers have more money available than they ever had before, and presumably they are spending a smaller proportion of their total income for food, that therefore on account of that, it should be possible, and indeed desirable that farm prices go up.

Mr. WOLCOTT. Well, farm prices, I understood that those were his reasons for absorbing this difference by letting the prices go up under control, of course, and subsidies.

Mr. HANDSCHIN. The point that I am making, Congressman, is simply that—

Mr. WOLCOTT. You think that subsidies contribute to inflation?

Mr. HANDSCHIN. No: I think quite the contrary, if properly handled and with limitations. They have been found necessary, as I mentioned, in every country at war. We are subsidizing our copper mines. We subsidized any number of other businesses down through the years, and I doubt if there is a member of this committee who has not voted for subsidies at some time.

Mr. O'Neill was very happy to take subsidies all through the years and so were we, even though we did not like them, and I understand Mr. O'Neill did not like them in principle.

Mr. WOLCOTT. All that you mentioned here is to assure adequate production for war efforts.

Now, the law already provides that in case the Department of Agriculture encourages an increase in the production of a certain crop, that subsidies may be paid. That is on the same basis as the guaranty by subsidies, adequate stocks of copper, zinc, or nickel, or any other metal that we need in the war effort.

None of the cases which you mentioned, in none of them do we subsidize the consumer, and we do not say to the electrician who purchases copper wire that he may buy that spool of copper wire for 20 cents when it has to be sold for 25 cents to return a fair profit to the miner and the processor.

In no respect and in no instance have we said that with respect to any of these vital critical materials or in respect to the war effort.

Now, as I understand this, you advocate a subsidy to the ultimate consumer in respect of food, which applied to processed copper would mean a subsidy to the user of copper wire or any other copper products, the ultimate consumers.

Mr. HANDSCHIN. We advocate the Department of Agriculture hav-

ing the power to and not being limited from the use of subsidies to meet the increased costs of farmers or the businesses processing farm products to keep their part of the bargain to stop inflation.

It is essential to roll prices back from where they now stand, and we propose that any such cost not be covered either by the Commodity Credit Corporation or by the Department of Agriculture.

Mr. WOLCOTT. Well, now, if the Government makes available \$1,000,000,000 for subsidies, that \$1,000,000,000 must be raised by the sale of bonds, and it is not only an original loss to the Government but costs at least 4 cents on the dollar to carry that bond. That is, until we have liquidated our national debt.

If the prices of commodities are allowed to rise under regulation, the income of the retailer is thereby increased, and he pays a higher proportion of tax, and instead of money going out of the Federal Treasury, it comes into the Federal Treasury, in taxes paid on that money, do you not think that you could reason it out in that manner that we siphon off more money by allowing these prices to rise under control than we do bonding the people who are paying interest on their bonded indebtedness necessary to do it?

Mr. HANDSCHIN. No; I do not believe so. I do not think that the amounts of money that you are discussing are anything but trivial compared to the \$350,000,000,000 which will soon be outstanding on the war program, and that any arguments about subsidies ought—

Mr. WOLCOTT. If this is all trivial, what are we arguing about here?

Mr. HANDSCHIN. The amount that you mentioned which might be saved, the interest on perhaps \$1,000,000,000 is trivial compared to the \$350,000,000,000 that we will soon be contracted for on the war.

Mr. WOLCOTT. You might just as well say that the 60 cents that the head of a family would have to pay to absorb the increase or to prevent the subsidy roll-back on butter was infinitesimal compared to the war effort money. You can only buy 12 pounds in a year, and there is 5 cents on a pound. That is 60 cents a year.

Mr. HANDSCHIN. And five members of the family is \$3.

Mr. WOLCOTT. That is right.

Mr. HANDSCHIN. I would like to just make one more point, while I am at it.

I would like to comment very briefly upon the proposal I understand was made here yesterday.

Mr. WOLCOTT. The average family in the United States is not four; it is three and a small fraction.

Mr. HANDSCHIN. The proposal that we place all food rationing and price control under the Food Administrator. That matter has not been considered by our officials, so I cannot say other than my own opinion of it, but I understood Mr. Davis made some comments on it, on the other side, this morning.

It is very true that we ought to have a more integrated control not only for our food production, but also for our entire anti-inflation program.

However, I am not inclined to believe that such a move in itself, in and of itself, would correct some of the conditions that we and some of the other organizations have not liked.

I might point out for instance that this committee has handled many agricultural matters, although there is another committee also



handling them, and I do not think the committee would desire having all agricultural matters put under the Committee on Agriculture, nor have we as an organization ever suggested that that take place. It has not seemed to be necessary, and I do not believe that that sort of an argument in itself is sufficient argument for taking all of the activities of O. P. A. in relation to food and placing them under the Food Administrator.

That is all that I have to say.

The CHAIRMAN. Let me ask you a question right there. In the administration of the O. P. A., we began with that administration. You are familiar with the history of it and the personnel, and the Administrator and his chief counsel. Do you think that there was any advantage in having that power in their hands rather than having it in Mr. Davis' hands.

Mr. HANDSCHIN. Of course, Mr. Davis was not then with the Government.

The CHAIRMAN. I understand that. I am asking you the other question.

Mr. HANDSCHIN. It becomes half a dozen of one thing and six of the other, because if you had those functions under the Food Administrator, then there would be other functions that the O. P. A. would still have to handle that would require similar duplication.

For instance, if you have any kind of an organization, a store, or otherwise, that handled food products, but also handled other products, O. P. A. would have to be involved with that store, and you would have the same type of duplication.

The CHAIRMAN. I am just asking you for some suggestions here, as you have stated with respect to putting some of these powers under Mr. Davis, and some gentlemen who have appeared here seem very favorably impressed with Mr. Davis' background and experience and training, that they seem to think that he is very peculiarly qualified for this work, whereas Mr. Brown, for whom I have a high regard and a personal affection, for that matter, has a background somewhat akin to my own, and I should not be surprised if anybody approaching the matter from the standpoint of agriculture would not be inclined to the view that Mr. Davis was better prepared for meeting the problems than a man whose experience has been such as Mr. Brown's.

Mr. MONRONEY. It would be advisable to try to find another Mr. Davis, I think, and put him in to run the food section of O. P. A., rather than to tear up O. P. A. and set it over here in another department. Is not that a matter of personalities?

The CHAIRMAN. I am not passing judgment; I am only asking these questions.

Mr. HANDSCHIN. As I stated, our organization has not taken an official position on that particular matter. We have had our complaints against O. P. A., and as I indicated earlier, we think that they were wrong in not placing just one ceiling at the counter where the housewife gets the goods, which however would require subsidies at certain points to help out small canners, or small grocers, or small farmers, or this particular kind of feed, or what have you.

The CHAIRMAN. Do you think that the administration of O. P. A. with respect to farm commodities has been satisfactory?



Mr. HANDSCHIN. I think that it has been about all that we might expect under the circumstances.

The CHAIRMAN. I did not ask you what we expected. I am asking you—

Mr. HANDSCHIN. No; I think that it should be improved.

The CHAIRMAN. Do you think it is satisfactory?

Mr. HANDSCHIN. I think that it will be improved on, and I think that Mr. Davis will secure a good many of those improvements.

The CHAIRMAN. I will ask you again, if you want to answer; if you think the administration of O. P. A. with respect to farm commodities is satisfactory.

Mr. HANDSCHIN. It has not been completely satisfactory, and it is not yet.

The CHAIRMAN. I just wondered how you viewed that matter.

Mr. MONRONEY. You do not think that it would be wise to take out of O. P. A. all foodstuffs and put it in some new organization and disassociate O. P. A.?

Mr. HANDSCHIN. Just offhand, I do not think that that in itself would solve your problem, and it certainly would leave you other problems in its place.

Mr. MONRONEY. The better administrative procedure if there is something wrong with the administration of it, is to correct the personnel and get men of ability and understanding in agricultural items to operate within the structure and framework of O. P. A., is not that right?

Mr. HANDSCHIN. I should say that it is possible, at least theoretically, to secure improvement in the O. P. A., to do much of what I was mentioning a moment ago, which would clear up a lot of bad situations in relation to farm products.

The CHAIRMAN. I have not said that there was anything of that kind within the organization of the O. P. A. I am only asking the questions.

Mr. HANDSCHIN. Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. I had hoped that we might meet tomorrow or Monday, but from information I have respecting the plans of the members of the committee, that I think should be respected and regarded, I do not feel that we can very well meet before Tuesday.

Let me make one suggestion, that we all get down as near as we can to some conclusions about this legislation, and when we meet on Tuesday, let us see if we cannot vote.

(Thereupon, at 5:10 p. m., the committee recessed, to reconvene Tuesday, June 1, 1943.)

253

180. X

181. X

182. X

183. X

184. X

185. X

186. X

187. X

188. X

189. X

190. X

191. X

192. X

193. X

194. X

195. X











TO CONTINUE COMMODITY CREDIT CORPORATION

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HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

SEVENTY-EIGHTH CONGRESS

FIRST SESSION

ON

**S. 1108**

A BILL TO CONTINUE COMMODITY CREDIT  
CORPORATION AS AN AGENCY OF  
THE UNITED STATES

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MAY 27, 1943

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Printed for the use of the Committee on Banking and Currency



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1943

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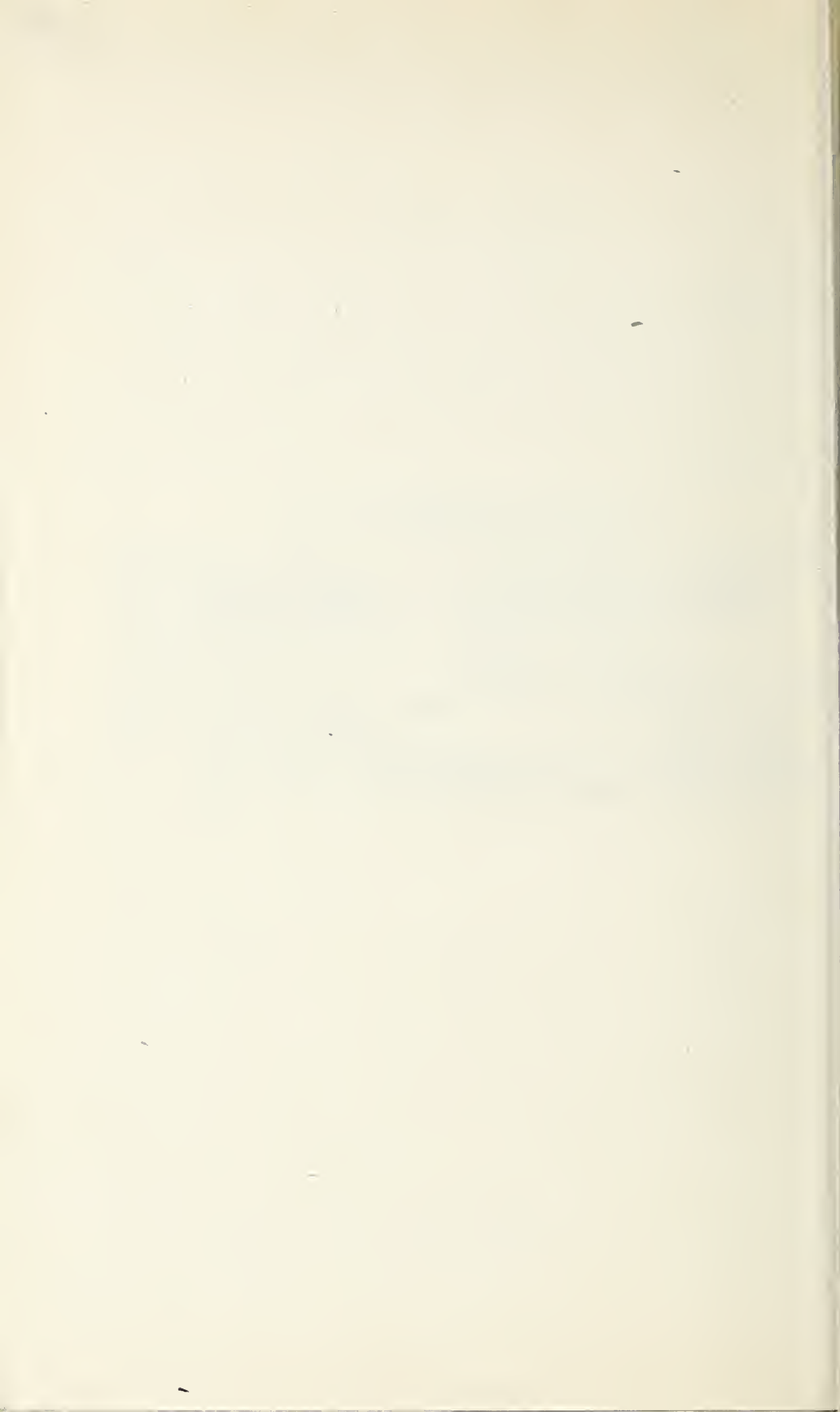
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# TO CONTINUE COMMODITY CREDIT CORPORATION

THURSDAY, MAY 27, 1943

UNITED STATES SENATE,  
COMMITTEE ON BANKING AND CURRENCY,  
*Washington, D. C.*

The committee met, pursuant to call, in room 301, Senate Office Building, Senator Robert F. Wagner, chairman, presiding.

Present: Senators Wagner (chairman), Bankhead, Radcliffe, Taft, Butler, Ball, and Buck.

The CHAIRMAN. The committee will come to order. We are considering Senate bill 1108, which was introduced by me and which really should have been introduced by Senator Bankhead, because he is the expert and authority, as far as I am concerned, on all these matters.

(S. 1108 is here printed in full as follows:)

[S. 1108, 78th Cong., 1st sess.]

A BILL To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That section 1 of the Act approved March 8, 1938 (52 Stat. 107), as amended, is hereby amended by deleting from the first sentence thereof the term "31st of March" where that term first appears therein and substituting in lieu thereof the term "30th of June", and by deleting from the second sentence thereof "on the basis of the cost, including not more than one year of carrying charges, of such assets to the Corporation, or the average market prices of such assets for a period of twelve months ending with March 31 of each year, whichever is less," and inserting in lieu thereof "on the basis of the cost, or insofar as practicable, the average market price of such assets during the last month of the fiscal year covered by the appraisal, whichever is the lower." Only one appraisal of the assets and liabilities of the Corporation shall be made during the calendar year 1943 which shall be on the basis established by this amendment.

SEC. 2. Section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by deleting the term "\$2,650,000,000" and inserting in lieu thereof the term "\$3,650,000,000".

SEC. 3. Section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby amended by changing the designation thereof to section 7 (a) and by deleting from the first sentence thereof the term "June 30, 1943" and by inserting in lieu thereof "June 30, 1947, or the end of the second year following the first day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated, whichever is the later"; and is further hereby amended by striking out the period at the end of the section and inserting in lieu thereof a comma and the following: "without regard to provisions of any other existing law relating to public funds: *Provided, however,* That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business.

"(b) The financial transactions of the Corporation beginning with the period from July 1, 1943, shall be audited by the General Accounting Office in accordance with the principles applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States: *Provided*, That the Corporation shall continue to have the authority to make final and conclusive settlement and adjustment of any claims by or against the Corporation or the accounts of its fiscal officers: *Provided further*, That a report of such audit shall be made to the Congress, together with such recommendations as the Comptroller General may deem advisable, and that each such report shall cover a period of one fiscal year and shall not be made until the Corporation and the Secretary of Agriculture shall have had a reasonable opportunity, not to exceed 90 days, to examine the report, point out errors therein, explain or answer the same, and file a statement which shall be submitted by the Comptroller General with his report: *Provided further*, That a copy of each such report shall be furnished the Secretary of the Treasury and that the findings contained therein shall be considered by the Secretary in appraising the assets and liabilities and determining the net worth of the Corporation under sections 1 and 2 of the Act of March 3, 1933 (52 Stat. 107), as amended: *Provided, however*, That nothing in this section shall be construed as modifying legislation authorizing the use of funds of the Corporation for administrative expenses and requiring accountability therefor.

"(c) The expenses of the audit as provided in this section may be paid up to and including June 30, 1945, from moneys advanced therefor by the Corporation, or from any appropriation or appropriations for the General Accounting Office, and appropriations so used shall be reimbursed promptly by the Corporation as billed by the Comptroller General: *Provided*, That any such advances or reimbursements shall be considered as nonadministrative expenses of the Corporation. For the purpose of such audit the representatives of the General Accounting Office shall have access to all papers, books, files, accounts, financial records, warehouses, and all other things, property and places belonging to or under the control of or used or employed by the Corporation and shall be afforded full facilities for verifying transactions with and balances in depositaries and with fiscal agents: *Provided further*, That the certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business may be accepted by the General Accounting Office in its audit of the financial transactions of the Corporation as final and not subject to further audit verification.

"(d) Any examination of the corporate records shall be made at the place or places where such records are normally kept in the transaction of the corporate business, and the Corporation shall retain custody of contracts, vouchers, schedules, or other financial or accounting documents, either original or duplicate, relating to its nonadministrative transactions."

SEC. 4. The Federal Reserve banks are hereby authorized to act as depositaries, custodians, and fiscal agents for the Commodity Credit Corporation.

The CHAIRMAN. Mr. Davis, the committee will be very glad to hear from you with reference to the bill.

#### STATEMENT OF CHESTER C. DAVIS, ADMINISTRATOR, WAR FOOD ADMINISTRATION, WASHINGTON, D. C.

The CHAIRMAN. You have read the bill, of course?

Mr. DAVIS. Yes.

The CHAIRMAN. It was introduced at your request.

Mr. DAVIS. It was suggested to me, and I, in turn, have suggested that it be considered by the Congress; yes, sir.

The CHAIRMAN. Will you tell us about it?

Mr. DAVIS. What I would like to do, Senator, is to take the brief time which I understand the committee has this morning in giving the legislative and executive history of Commodity Credit Corporation as a background for the consideration of this particular bill, which would continue Commodity Credit Corporation as an agency of the United States beyond June 30 when its corporate life comes

to an end, which would increase its borrowing power and, among other things, revise the basis for the annual appraisal of its assets and provide for an audit of its financial transactions by the General Accounting Office, and for other purposes.

In the fall of 1933 the prices of agricultural commodities were at extremely low levels. Widespread distress and unemployment had greatly reduced the demand for agricultural products, and resulting surpluses further demoralized commodity markets. To assist in alleviating this situation and restore agricultural purchasing power, Commodity Credit Corporation was created, pursuant to the provisions of the National Industrial Recovery Act. Under the direction of Executive Order 6340 dated October 16, 1933, it was incorporated as an agency of the United States under the laws of the State of Delaware on October 17, 1933.

All of the capital stock of the Corporation is owned by the United States Government. Under the Presidential Reorganization Order, effective July 1, 1939, the Corporation became a part of the U. S. Department of Agriculture, and the exclusive voting rights of the Corporation's stock were vested in the Secretary of Agriculture by an Executive order of the President dated August 7, 1939. Prior to that time, Commodity Credit Corporation was an independent agency of the Federal Government. It was managed and operated in close affiliation with the Reconstruction Finance Corporation. All of its loan programs, however, were undertaken as required by law upon recommendation of the Secretary of Agriculture and with the approval of the President.

The original authorized capital stock of Commodity Credit Corporation was \$3,000,000. Under an act of Congress of April 10, 1936, the Corporation was authorized to increase its capital stock to \$100,000,000. Prior to March 8, 1938, funds in addition to the capital stock required to finance loan programs were obtained by borrowing on the security of pledged collateral, principally borrowing from the Reconstruction Finance Corporation. Under an act of Congress approved March 8, 1938, the Corporation was authorized to issue and have outstanding at any one time obligations guaranteed by the United States in an aggregate amount not exceeding \$500,000,000.

The Congress has acted to increase the borrowing power of the Corporation from time to time; first on March 4, 1939, to \$900,000,000; on August 9, 1940, to \$1,400,000,000; and on July 1, 1941, to the present authorization of \$2,650,000,000. The Congress has also provided for readjusting the net worth of Commodity Credit Corporation to the amount of \$100,000,000 once each year after the Secretary of the Treasury has appraised the assets and liabilities of the Corporation as of each March 31.

If the Secretary of the Treasury determines that the net worth of the Corporation is less than \$100,000,000, he is directed to restore the amount of capital impairment by contribution to the Corporation. If, on the other hand, the net worth of the Corporation is determined to be in excess of \$100,000,000, the amount of the excess is deposited in the Treasury and credited to miscellaneous receipts.

Originally there was no limitation on the life of Commodity Credit Corporation. On January 31, 1935, legislation was approved provid-



ing for the continuance of the Corporation as an agency of the United States until April 1, 1937, or such earlier date as might be fixed by the President of the United States. Since this legislation was approved, the Congress has extended the life of the Corporation three times: first, by an act approved January 26, 1937, its life was extended until June 30, 1939; second, on March 4, 1939, its life was extended until June 30, 1941; and third, on July 1, 1941, its life was extended until June 30, 1943.

I think it is significant to point out, however, that by joint resolution, Public, No. 74, Seventy-seventh Congress, approved May 26, 1941, Commodity Credit Corporation was directed to make loans upon the 1941, 1942, 1943, 1944, 1945, and 1946 crops of the commodities of cotton, corn, wheat, rice, tobacco, and peanuts for which producers had not disapproved marketing quotas for the marketing year beginning in the calendar year in which such crop is harvested. In addition, under Public, No. 147, Seventy-seventh Congress, approved July 1, 1941, the Secretary of Agriculture was directed, during the existing emergency, to use the credit resources of Commodity Credit Corporation to support a price to farmers for any nonbasic agricultural commodity with respect to which expansion in production is necessary at a price not less than 85 percent of parity or, in the absence of parity, a determined comparable price. This legislation provided also that where loan, purchase, or other price support operations are undertaken, they shall be continued until public announcement has been given to producers in sufficient time for them to make readjustments in the production of the commodity.

More recently, under date of October 2, 1942, the Congress amended certain provisions of Public No. 147 and provided that these provisions should remain in force during the continuance of the present war and until the expiration of the 2-year period beginning with the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated. In addition, the language referring to 85 percent of parity was amended to 90 percent of parity, except that the loan rate remains at 85 percent of parity for any basic commodity for which the President determines that such a rate is necessary to prevent an increase in the cost of feed for livestock and poultry and to aid in the effective prosecution of the war.

Under Executive Order 9334 dated April 19, 1943, Commodity Credit Corporation was made a part of the War Food Administration.

Up to July 1, 1941, the activities of Commodity Credit Corporation had been limited primarily to loans on butter, corn, cotton, dates, figs, hops, mohair, peanuts, pecans, prunes, raisins, rice, tobacco, turpentine, rosin, wheat, and wool.

These loan programs were undertaken in response to various legislative, Presidential, and administrative directives. Some of the Corporation's loans were mandatory and some were not; some loans were made with recourse on the borrowers and some were not; some loans were made to individual producers and some were made to associa-

tions of producers: some loans were made directly by the Corporation and some were made indirectly through local private banks under contracts whereby the Corporation agreed to take over the loans on the demand of the private lending agency.

I do not wish to minimize the activities of the Corporation during this period, for I feel that these loan programs were necessary in the interest of our national economy. Instances could be cited where these loans made by Commodity Credit Corporation marked the difference between 5-cent and 9-cent cotton, 25-cent and 57-cent corn, 10-cent and 20-cent tobacco, 35-cent and 65-cent wheat, 15-cent and 25-cent butter, and similar differences on several other commodities.

The functions of the loan programs of the Corporation in protecting farm prices become greatest, of course, wherever the emergency became the greatest. For instance, the abnormal 1937 cotton crop of approximately 19,000,000 bales came about in part as an aftermath of the invalidation of the former Agricultural Adjustment Administration processing-tax program. It would have meant untold suffering not only to the South but also to the entire Nation if it had not been possible at that time for Commodity Credit Corporation to place a floor under what otherwise would have been a most drastic decline in cotton prices.

Another great emergency arose during the year 1939 in the case of flue-cured tobacco. A large percentage of this crop is normally sold to Great Britain, which usually carries about 2 years' stock on hand in the course of its curing process and manufacture. Upon the outbreak of hostilities in Europe, Great Britain apparently felt that it was imperative to discontinue using its dollar exchange for the purchase of additional supplies of American tobacco, in order to be able to purchase more of other products of which it had smaller supplies. As a result, the English tobacco companies were obliged to withdraw from the American market, and our farmers who could not hold their tobacco faced ruinously low prices. The situation became so distressed that the flue-cured tobacco markets were closed. Fortunately, it was possible to develop a program within a few days under which Commodity Credit Corporation was able to supply a remedy. This made possible the reopening of the markets, and enabled American farmers to sell their 1939 crop of flue-cured tobacco at prices substantially the same as those which had prevailed before the emergency.

I think that purchase of tobacco marked what might be called the first real war activity of the Corporation; but it was the beginning of a series of activities after 1941 which were directly related to the war.

Senator BANKHEAD. That was in 1939, you say?

Mr. DAVIS. That was in 1939; but it marked the beginning of the activities related to the war on the part of Commodity Credit Corporation.

With the passage of the Lend-Lease Act, Commodity Credit Corporation became the financing agency for the purchasing of agricultural commodities in anticipation of lend-lease requirements. The administration of the Lend-Lease program has been carried on by the other agencies of the Department. Later corn and wheat were

sold for alcohol to be used in the war effort. Wheat was sold to supplement other grains for feed. These sales were made at prices below the cost of the wheat to Commodity Credit Corporation, and losses through April 30, 1943, were about \$73,000,000.

Under Public Law 147 a series of price supports were announced. In some cases the support prices announced proved to be above the ceiling prices. In such cases the losses were absorbed by the Commodity Credit Corporation. These operations, including the sale of corn and wheat, make up a large part of the subsidy operations. In addition, some losses have been incurred on cheese, coffee, cocoa, fluid milk, sugar, and dairy cattle. Up to April 30, 1943, the losses on this type of program have amounted to less than \$25,000,000.

The realized and appraised losses of the Commodity Credit Corporation from the date of its organization through March 31, 1942, were approximately \$144,000,000. With the method of inventory as proposed, which we believe is sound accounting and in conformity with usual commercial practice, the losses and gains on the balance sheet for the period from March 31, 1942, through June 30, 1943, would be roughly equal, so that the total losses to date would approximate the figure indicated above; that is, \$144,000,000.

Loans and purchases made by the Corporation to date approximate \$6,000,000,000, of which about \$2,000,000,000 represent purchases of agricultural commodities under the lend-lease program. The operations have greatly expanded in recent years and, excluding the lend-lease purchases, the total operations during the past 2 years are roughly equal to those of the previous 8 years, which indicates roughly the expansion in 10 years of Commodity Credit Corporation's operations. With less emphasis on payments in the farm program and more on the price supports authorized in Public Law 147, a further expansion of the operations is anticipated.

Mr. Chairman, I would like to call the committee's attention to the fact that the last time the corporate life of Commodity Credit Corporation was extended the increase in the authority to borrow amounted to \$1,250,000,000, and that was authorized by Congress. At this time the increase requested is \$1,000,000,000.

Mr. J. B. Hutson, who is the president of Commodity Credit Corporation, and who is here at the committee table this morning, is much more familiar than I am with the detailed operations of the Corporation. He has been in touch with its activities I would say continuously since the Corporation was created 10 years ago, while my connections with it were interrupted from June of 1936 up until about a month and a half or two months ago. If there are any detailed questions relating to the balance sheet or the current operations of Commodity Credit Corporation, I would appreciate it if the committee would permit Mr. Hutson to testify.

Senator BUCK. May I ask Mr. Hutson a question?

The CHAIRMAN. Surely.

Senator TAFT. I have to be on the floor in a moment in connection with the National Resources Planning Board, and I wonder if the Senator would permit me to ask Mr. Davis one or two questions.

Senator BUCK. Certainly.



Senator TAFT. Have the balance sheets of the Commodity Credit Corporation as of March 31 been filed somewhere in the Senate? The last one I have been able to find was the April one; that is, April 30, 1940, in the hearings in 1940. There was no balance sheet filed with the hearings in 1941. I wonder if it would be possible, before the hearings are concluded, in order to have the record complete, to have the balance sheets for 1941, 1942, and 1943 inserted in the hearings.

Mr. HUTSON. I should be glad to insert those.

(The balance sheets for June 30, 1941, June 30, 1942, and April 30, 1943, follow:)

*U. S. Department of Agriculture—Commodity Credit Corporation—balance sheet,  
June 30, 1941*

ASSETS	
Cash .....	\$71,342,493.97
Loans and other receivables:	
Loans to Secretary of Agriculture .....	\$15,000,000.00
Commodity loans held by Commodity Credit Corporation .....	244,210,303.41
Interest receivable on commodity loans held by Commodity Credit Corporation .....	7,441,298.83
Carrying charges receivable on com- modity loans held by Commodity Credit Corporation .....	3,022,498.10
Miscellaneous receivables .....	1,107,518.01
	<hr/> 270,781,618.35
Commodities owned:	
Cotton, 6,126,482 bales .....	359,026,886.05
Wheat, 169,159,316 bushels .....	148,918,351.54
Corn, 201,857,736 bushels .....	145,843,177.69
Tobacco, 285,759,014 pounds .....	68,954,701.75
Rubber, 91,556 tons .....	31,771,229.02
Miscellaneous commodities .....	26,745,718.74
Rye, 78,634 bushels .....	43,346.25
	<hr/> 781,303,411.04
Steel grain bins .....	4,875,103.35
Furniture and fixtures .....	148,015.57
	<hr/>
Total .....	<u>1,128,450,642.28</u>
LIABILITIES AND RESERVES	
Notes payable .....	836,252,000.00
Interest payable .....	1,299,733.81
Carrying charges payable .....	31,388,869.08
Claims and accounts payable .....	58,239,925.44
Contingent liabilities (\$121,980,145.80) .....	( <sup>1</sup> )
Reserve for losses .....	101,270,113.95
	<hr/>
Total liabilities and reserves .....	1,028,450,642.28
Capital stock, net worth .....	100,000,000.00
	<hr/>
Total liabilities, reserves, and net worth .....	1,128,450,642.28

<sup>1</sup> The Corporation has guaranteed to purchase commodity loans held by private lending agencies at the latter's option. The amount involved consists of the face of loans plus interest and carrying charges to the date of the balance sheet.



*U. S. Department of Agriculture—Commodity Credit Corporation—balance sheet,  
June 30, 1942*

ASSETS		
Cash	-----	\$75, 814, 541. 10
Loans and other receivables:		
Loans to Secretary of Agriculture	\$12, 000, 000. 00	
Commodity loans held by Commodity Credit Corporation	219, 450, 834. 96	
Interest receivable on commodity loans held by Commodity Credit Corporation	7, 889, 719. 53	
Interest receivable on guaranteed loans held by banks and lending agencies	1, 185, 280. 42	
Carrying charges receivable on commod- ity loans held by Commodity Credit Corporation	6, 893, 492. 41	
Claims and accounts receivable	147, 357, 696. 55	
Miscellaneous receivables	315, 057. 05	
	-----	395, 092, 080. 92
Commodities owned:		
Agricultural supplies	7, 516, 785. 87	
Barley, 8,489 bushels	4, 011. 32	
Corn, 62,286,703 bushels	46, 728, 107. 57	
Cotton, 3,991,156 bales	241, 032, 124. 47	
Dairy products	947, 557. 60	
Grain sorghums, 10,212 bushels	3, 973. 56	
Rye, 19,457 bushels	10, 809. 94	
Tobacco, 221,127,505 pounds	59, 567, 514. 55	
Wheat, 319,688,689 bushels	345, 388, 000. 50	
General commodities purchases <sup>1</sup>	360, 518, 253. 51	
	-----	1, 061, 717, 138. 89
Grain-storage bins	-----	8, 091, 057. 90
Furniture and fixtures	-----	252, 960. 85
	-----	-----
Total	-----	1, 540, 967, 779. 66
	-----	-----
LIABILITIES AND RESERVES		
Notes payable	-----	1, 101, 054, 000. 00
Interest payable	-----	2, 091, 119. 67
Carrying charges payable	-----	30, 610, 035. 40
Claims and accounts payable	-----	162, 585, 070. 89
Contingent liabilities (\$119,051,042.43)	-----	( <sup>2</sup> )
Reserve for losses	-----	144, 627, 553. 70
	-----	-----
Total liabilities and reserves	-----	1, 440, 967, 779. 66
Capital stock, net worth	-----	100, 000, 000. 00
	-----	-----
Total liabilities, reserves, and net worth	-----	1, 540, 967, 779. 66

<sup>2</sup> The Corporation has guaranteed to purchase commodity loans held by private lending agencies at the latter's option. The amount involved consists of the face of the loans plus interest and carrying charges to the date of the balance sheet.

*U. S. Department of Agriculture—Commodity Credit Corporation—balance sheet,  
Apr. 30, 1943*

ASSETS		
Cash		\$169, 223, 541. 43
Loans and other receivables:		
Commodity loans held by Commodity Credit Corporation	\$407, 735, 025. 81	
Interest receivable on commodity loans held by Commodity Credit Corporation	3, 919, 562. 83	
Interest receivable on guaranteed loans held by banks and lending agencies	3, 034, 862. 57	
Carrying charges receivable on commodity loans held by Commodity Credit Corporation	15, 163, 173. 86	
Claims and accounts receivable	37, 433, 572. 03	
Miscellaneous receivables	58, 560. 05	
		467, 344, 757. 15
Commodities owned:		
Agricultural supplies	105, 342, 336. 49	
Barley, 46,698 bushels	258, 373. 31	
Corn, 46,073,985 bushels	36, 290, 387. 98	
Cotton, 3,312,212 bales	203, 682, 673. 14	
Dairy products	4, 332, 981. 20	
Foreign purchases	104, 539, 958. 66	
Rye, 518,643 bushels	376, 412. 46	
Tobacco, 253,561,221 pounds	105, 425, 748. 90	
Wheat, 226,916,212 bushels	274, 573, 100. 91	
General commodities purchases	494, 567, 611. 59	
		1, 329, 369, 593. 64
Grain storage bins		26, 199, 570. 92
Furniture, fixtures, and equipment		900, 363. 85
Deferred charges		990, 028. 17
Total		1, 994, 028, 255. 16
LIABILITIES AND RESERVES		
Notes payable	1, 451, 054, 000. 00	
Bank loans payable	75, 571, 182. 73	
Interest payable	3, 265, 040. 16	
Carrying charges payable	30, 234, 753. 46	
Claims and accounts payable	261, 461, 006. 45	
Contingent liabilities (\$351,414,544.64)	( <sup>1</sup> )	
Reserve for losses	72, 502, 272. 36	
Total liabilities and reserves	1, 894, 028, 255. 16	
Capital stock, net worth	100, 000, 000. 00	
Total liabilities, reserves, and net worth	1, 994, 028, 255. 16	

<sup>1</sup> The Corporation has guaranteed to purchase commodity loans held by private lending agencies at the latter's option. The amount involved consists of the face of the loans plus interest and carrying charges to the date of the balance sheet, and applications for letters of credit.

Senator TAFT. What relation has this billion dollars to the general subsidy program of the Price Administration?

Mr. DAVIS. Under the Executive order of the President, No. 9250, which was issued on October 3, 1942, Senator, the Director of Economic Stabilization was given the power to direct any Federal department or agency, including but not limited to the Commodity

Credit Corporation, the Surplus Marketing Administration, the Department of Commerce, the Reconstruction Finance Corporation, and other corporations organized pursuant to section 5d of the Reconstruction Finance Corporation Act, to use its authority to subsidize and to purchase for resale if such measures are necessary to insure the maximum necessary production and distribution of any commodity or to maintain ceiling prices. When you ask me what relation this has to the general subsidy program, I point that out as one of the bases under which we in the Commodity Credit Corporation operate. I believe that the authorization for increased borrowing asked for in the pending bill would be necessary entirely without any consideration whatsoever to such subsidy operations as might be undertaken under such a directive or that we might undertake in an effort to keep a floor under agricultural production on our own initiative.

Senator TAFT. However, the billion dollars could be used to support a general subsidy program if so directed by the President, I presume?

Mr. DAVIS. That is correct.

Senator TAFT. Unless there were some restrictions. Has there been some discussion in the House committee of a specific restriction against the use of these funds for that purpose?

Mr. DAVIS. Not while I was before the committee; but Mr. Hutson has been a regular visitor before that committee for the last 2 weeks, and I would rather that he would answer that question.

#### STATEMENT OF J. B. HUTSON, PRESIDENT, COMMODITY CREDIT CORPORATION, WASHINGTON, D. C.

Mr. HUTSON. There have been a number of questions with reference to this problem. I have heard no specific language suggested, however. There are hearings over there this morning.

(Senator Taft withdrew from the hearing room.)

Senator BUCK. I would like to ask Mr. Hutson or Mr. Davis this question. The working capital loans which the Corporation has obtained and is authorized to obtain, I believe, are up to \$2,000,000,000. How is that secured?

Mr. HUTSON. We have notes in the hands of the public now to the amount of about \$400,000,000. In addition, we have borrowed from the Treasury nearly \$1,200,000,000.

Senator BUCK. Does that \$1,200,000,000 carry any interest? Do you pay interest to the Treasury?

Mr. HUTSON. One percent interest to the Treasury.

Senator BUCK. Do you know offhand what the dollar value of the commodities is that you own now?

Mr. HUTSON. The value of the commodities owned on April 30 last was \$1,300,000,000.

Senator BUCK. Is it true that one purpose of the Corporation is to help protect the economy of South American countries against wartime interruptions?

Mr. HUTSON. Some activities have been engaged in that would have the effect of protecting their economy. For example, about a year ago we purchased about 30,000 bales of cotton from Peru.

Senator BUCK. You did not bring that into this country, did you?

Mr. HUTSON. No. That had been purchased by the Canadian and British trade. It was impossible to get shipping, of course, by the British, and we did not want the cotton shipped here.

Senator BUCK. Did you receive orders from the Board of Economic Warfare and carry them out?

Mr. HUTSON. Yes.

Senator BUCK. Did they reimburse you?

Mr. HUTSON. No. There is included in our balance sheet a statement of any profit or any loss that may be incurred on these transactions.

Senator BUCK. If you are directed to spend a half billion dollars for the Board of Economic Warfare, that is your money they do not reimburse you for that?

Mr. HUTSON. That is correct. As I understand it, their appropriations are for administrative expenses, and they utilize either the R. F. C. for the purchase of nonagricultural commodities, or Commodity Credit Corporation for the purchase of agricultural commodities.

Senator BUCK. Can you tell me one thing more, please. When a loan is made what interest do they get on the loan? Do they pay the Corporation part of the interest?

Mr. HUTSON. That is right. The common way of making loans is that we charge the borrower 3 percent interest. One-half of that is retained by the local bank and one-half is remitted to the Commodity Credit Corporation.

Senator BUCK. And you agree to take that loan up any time you get the 3 percent?

Mr. HUTSON. Any time the 1½ percent that goes to the Commodity Credit Corporation is recovered.

Senator BUCK. Mr. Davis mentioned in his statement the sum of money which the Corporation has lost. Was that about \$25,000,000?

Mr. HUTSON. The \$25,000,000 loss mentioned by Mr. Davies pertains to one type of operation. At the date of the last inventory the losses were \$144,000,000.

Senator BUCK. That is a bookkeeping loss; that is an inventory loss, is it not?

Mr. HUTSON. Well, that is actual and appraised losses.

Senator BUCK. Most of that is appraised loss, is it not?

Mr. HUTSON. Yes, sir.

Senator BUCK. I was under the general impression that the Corporation was carrying on for 9 years and had lost only about \$12,000,000, which would not be a bad record.

Mr. HUTSON. I will supply for the record the exact figures as between actual and appraised loss; but my recollection is that it is about one-third actual and two-thirds appraised.

Senator BUCK. Thank you.

Senator BANKHEAD. Do you still hold that cotton that you mentioned?

Mr. HUTSON. We owned about 3,300,000 bales of cotton as of March 31, 1943. There is under loan at present an equal amount.

Senator BANKHEAD. I was speaking of the Peruvian cotton.



Mr. HUTSON. None of it has moved to the United States. It is still being held.

Senator BANKHEAD. You do not count that a total loss, do you?

Mr. HUTSON. We do not; no. We expect eventually to come out on that arrangement. But obviously there is some risk involved.

Senator BANKHEAD. There is a rising trend in the price of cotton, is there not?

Mr. HUTSON. That is correct, sir.

Senator BUTLER. If the cotton you bought from Peru was ultimately assigned to lend-lease you perhaps would not get any pay for it?

Mr. HUTSON. If that cotton were ultimately assigned to lend-lease we would be reimbursed on the basis of cost.

There was one small transaction on cotton in Nicaragua. It has been completely liquidated. We purchased about 3,000 bales of Nicaraguan cotton. That was sold, as I understand it, to the Canadian market. On that particular operation there was a profit of about \$20,000. That was because of this advance in price that you refer to, Senator.

Senator BUTLER. You say you sold about 30,000 bales that you bought from Peru?

Mr. HUTSON. The Peruvian deal amounted to about 30,000 bales, of which none has been sold.

Senator BUTLER. That is the matter I am asking you about.

Mr. HUTSON. Then, in addition, there was a Nicaraguan deal in which we purchased 3,000 bales, and that has been sold.

Senator BUTLER. This \$2,000,000 to lend-lease—what is that item for? I think Mr. Davis spoke of that.

Mr. HUTSON. Beginning in 1941, when the first Lend-Lease purchases were undertaken, Commodity Credit Corporation became a purchasing agent for agricultural commodities. It came about in this way. Goods were needed for Lend-Lease shipments; goods were needed for relief purposes; goods were needed for school lunches. In many cases it was necessary to support the prices of the commodities in order to get, insofar as was practicable, the impact of this total buying on the market at the time that producers were selling their commodities. It was decided to concentrate the buying of these various things at one place; and that was the beginning of the so-called general commodities purchase program of which purchases in anticipation of lend-lease needs was a part. To date purchases have been in excess of \$2,000,000,000 under that arrangement, and I would say that 80 to 90 percent of the total has gone for Lend-Lease. When the purchases are made the goods are held and later turned over to the particular agency desiring that particular product. In some cases purchases for the Red Cross have been included, and some goods have been turned over to the Red Cross, and this is rather a centralization of the purchases. At the moment we have in this particular operation about \$171,000,000. That is, we are uncovered in commitments on about \$171,000,000. The actual funds tied up are larger than that, but the remainder of the funds are covered by requisitions which, in effect, are orders from these other agencies, mostly the Lend-Lease Administration.

Senator BUTLER. Do you put up the money at the Commodity Credit Corporation for these Lend-Lease purchases?

Mr. HUTSON. Yes.

Senator BUTLER. Do you get it back?

Mr. HUTSON. Yes, sir.

Senator BUTLER. That will ultimately be paid back to you from what source?

Senator BANKHEAD. What about Lend-Lease? Does the Commodity Credit Corporation ultimately get that money back?

Mr. HUTSON. That is correct.

Senator BANKHEAD. From whom?

Mr. HUTSON. The Lend-Lease Administration. It is transferred to us from the funds appropriated by Congress to the Lend-Lease Administration.

Senator BUTLER. So you serve as an agency to aid Lend-Lease?

Mr. HUTSON. To facilitate the purchases and coordinate all of these purchases.

Senator BUTLER. That saves setting up agencies throughout the country?

Mr. HUTSON. That is correct.

Senator BUCK. You are just a revolving fund?

Mr. HUTSON. Yes.

Senator BUCK. I do not believe that when this corporation was incorporated it was ever intended that the money would be used to protect the economies of South American countries.

Senator BANKHEAD. You did not get the money back which you put up for the Board of Economic Warfare?

Mr. HUTSON. It will be returned when we sell the commodities.

Senator BANKHEAD. You have bought certain commodities at the request of the Board of Economic Warfare?

Mr. HUTSON. Yes.

Senator BANKHEAD. And you hold those commodities. When you deliver them do you get paid for them, or how is that handled?

Mr. HUTSON. We purchase the commodities and make payments as any private agency would and then when we sell the commodities the fund is replenished just as if we were a private agency.

Senator BANKHEAD. In other words, you do not buy out of your own capital?

Mr. HUTSON. How was that, sir?

Senator BANKHEAD. I mean, you get it returned?

Mr. HUTSON. Yes; it is returned as the commodities are disposed of.

Senator BANKHEAD. You buy commodities more as an arrangement with some other agency of the Government, on its request and on its financial responsibility; is that correct?

Mr. HUTSON. No. I think the financial responsibility rests on the Commodity Credit Corporation. If losses should be incurred, they would be incurred by the Commodity Credit Corporation.

Senator BANKHEAD. But so far as the outlay is concerned, you get it back except for the loss?

Mr. HUTSON. Yes. Specifically with reference to the \$20,000 involved in the small Nicaraguan cotton deal, we consider that as a gain.

Senator BANKHEAD. What are your losses up to this time on account of purchases at the request of the Bureau of Economic Warfare?

Mr. HUTSON. There would be no way of knowing that, Senator. We have invested in those commodities a little in excess of \$200,000,000, and it would depend on how much of that is eventually recovered from the sale of commodities. The largest item is fats and oils. We do not expect to take any loss on that. Another substantial item is sugar.

Senator BANKHEAD. You say the largest item is fats and oils. There is no chance of much of a loss on that, is there?

Mr. HUTSON. We do not think so. It is moving at around the price we purchased it for.

Senator BANKHEAD. Why did you buy fats and oils for the Board of Economic Warfare?

Mr. HUTSON. Because they were needed in this country. We formerly imported about 15 percent of our fats and oils from the Far East; that is, the Philippines and that general area. With the coming of the war, however, we had to supply a portion of our fats and oils, some 10 to 15 percent of the total, to the countries associated with us in the war, making a deficit of about one-fourth of our national requirements of fats and oils. There was some increase in our own demand for fats and oils. This is a highly complex, specialized field which involves some hundred or more different products with specialized uses; and in order to get the total volume and also the particular type of fats and oils, it was necessary to turn to South America as well as to turn to the producers in this country and ask them to expand production.

Senator BANKHEAD. Were those fats and oils that you bought brought to this country and used for consumption in this country?

Mr. HUTSON. For the most part; yes, sir.

Senator BANKHEAD. The question naturally arises, "What was the reason for the intervention of the Board of Economic Warfare in the transaction?"

Mr. HUTSON. The Board of Economic Warfare is an agency that is attempting to coordinate the foreign purchases of all commodities; and the particular reason, I would say, that they are in the field is to keep a number of different purchasing agencies, such as Commodity Credit Corporation, and others, from maintaining an organization in the field, and they attempt to coordinate the entire matter.

Senator BANKHEAD. If they had not done it, I assume the Commodity Credit Corporation or some other agency would have served the same purpose?

Mr. HUTSON. It would have been necessary, in order to protect our own economy, to have made purchases of fats and oils in South America, in my judgment.

Senator BANKHEAD. There has been more or less discussion, as you know, of the Board of Economic Warfare's activities, and you have seen the attitude of some few Senators who have asked you questions about it. I think we ought to have all the facts as to what did take place.

As I understand the majority of the purchases, the greater volume of money used for purchases for the Board of Economic Warfare

was for the purchase of these fats and oils. Did I correctly understand that?

Mr. HUTSON. That was one of the large items. There were two other large items, sugar and coffee.

Senator BANKHEAD. Did the Board of Economic Warfare ask you to buy those or ask you to furnish the money to buy them?

Mr. HUTSON. Yes, sir. We furnished the money.

Senator BANKHEAD. And those things were brought to this country for consumption?

Mr. HUTSON. They are being brought to this country.

Senator BANKHEAD. When shipping facilities are available?

Mr. HUTSON. Yes.

Senator BANKHEAD. There was need, of course, for both of those commodities, and all we could get, was there not, in this country?

Mr. HUTSON. That is correct, Senator.

Senator BANKHEAD. They are both under a rationing program.

Mr. HUTSON. There is a further factor, particularly in the case of coffee. The ships that formerly were used to haul coffee to this country were Brazilian ships, for the most part, and in the arrangement that was worked out it was necessary to use those ships for other purposes. There was an element of protecting the economy of Brazil in the transaction in respect to coffee; that is, we have some coffee that is being stored in Brazil. That is the point that you were referring to.

Senator BUCK. It is my understanding that the Board of Economic Warfare can issue an order against the R. F. C. and get any amount of money it wants, so long as the R. F. C. has it, to the extent of several hundred million dollars. I believe it has done that. Why should it not be prepared to reimburse the Commodity Credit Corporation for any losses it might sustain through these various purchases which it asks you to make?

Mr. HUTSON. I think it is primarily a question of having the handling of the food products at one place in the Federal Government.

Senator BUCK. I think that is commendable, but I do not see why this Corporation should suffer any loss by reason of those directives that it has to follow out from the Board of Economic Warfare when it has an ample supply of money. Is not this another source of funds that the Board of Economic Warfare can reach in and utilize? And there may be others. I don't know.

Mr. HUTSON. You mean, that the Commodity Credit Corporation could reach in and utilize?

Senator BUCK. No; the Board of Economic Warfare.

Mr. HUTSON. Well, to the extent that purchases are made in cooperation with the officials of the Board of Economic Warfare they do represent at least a partial application of the funds by the officials of the Board of Economic Warfare.

Senator BUCK. When you go down there and buy cotton, that can only mean, it seems to me, that there is an attempt to set up an ever-normal granary in the South American countries, and this is one source of the funds that are going to be used to do that.

Mr. HUTSON. It is a little bit broader problem than that, Senator. The particular considerations in the case of cotton were these. The



war, together with certain actions taken in connection with the war, took the normal market for Peruvian cotton, or a considerable portion of it, and it was necessary for those people who had formerly grown Peruvian cotton to turn to something else. It was felt that the people in the Department who were more experienced in these matters than were people in some other agencies of the Government, as they relate to the adjusting of one thing for another, could, by undertaking the complete transaction, work out an arrangement under which we would take over the cotton that they had at the present time, but at the same time, would include provisions which would encourage the people in Peru to turn to other things and thus ease the burden on the shipping situation. Some rather broad questions were involved in the transaction.

Senator BANKHEAD. These South American purchases were part of the war program, were they not?

Mr. HUTSON. Yes.

Senator BANKHEAD. They were not engaged in normal times, were they?

Mr. HUTSON. That is correct.

Senator BANKHEAD. They were not one of the normal activities of the Commodity Credit Corporation. They involved consideration of both shipping facilities and of obtaining better conditions in our neighboring countries to the south, and friendly relations and economic stability in those countries to some extent, to avoid revolution and dangers of that sort. All of those considerations, I assume, were a part of the subject that led to the establishment of this program.

Mr. HUTSON. That is correct, sir.

Senator BANKHEAD. Through the aid of this program in connection with others, they have had an unusually stable situation in South America, have they not, considering that the world is in war?

Mr. HUTSON. That is my understanding.

Senator BANKHEAD. With Germans and other hostile citizens in those countries have they not had a very stable situation?

Mr. HUTSON. I think that the action that has been taken by the Board of Economic Warfare and the State Department, together with the assistance of governmental corporations in cooperation with those agencies, has had a big effect on the attitude of the people in those countries.

Senator BALL. Is the Commodity Credit Corporation buying all the coffee that is being bought in South America, or are private companies still purchasing down there?

Mr. HUTSON. An arrangement was worked out under which purchases are made for the account of Commodity Credit Corporation by the trade agencies that have purchased the coffee.

Senator BALL. Then when we get it up here you just put it up?

Mr. HUTSON. That is correct.

Senator BUTLER. Do you avoid paying import duty on the coffee?

Mr. HUTSON. I think coffee is on the free list. I cannot recall any question having arisen in connection with that.

Senator BUTLER. Suppose you are buying some commodity which is not on the free list. It is generally assumed that anything belonging to the Government or a Government agency comes in free. Then it is redistributed through regular commercial channels?

Mr. HUTSON. In some cases we have been able to work out an arrangement under which we brought in goods free, and in other cases we paid the duty.

Senator BUTLER. The original purpose of the Commodity Credit Corporation, Mr. Hutson, was to make loans, was it not, on agricultural crops in our own country? In fact, that was about its only purpose, was it not, when it was organized, and to build up an ever-normal granary?

Mr. HUTSON. Certainly, most of its early activities were with respect to domestic loans.

Senator BUTLER. To sustain the market?

Mr. HUTSON. That is correct. However, from the beginning the charter was broad and included authority for those other activities, and from time to time action was taken as to these other matters.

Senator BUTLER. We adopted certain policies as to subsidy programs, like making certain payments for taking out acreage, which amounts to a subsidy. That portion of our agricultural program was not conducted under Commodity Credit Corporation, was it? In other words, we separated our subsidy program from our other program?

Mr. HUTSON. The production adjustment program which involved payments to farmers has always been and still is separate from the Commodity Credit Corporation. Back very early, however, Senator, it was necessary in carrying on normal operations of the Commodity Credit Corporation to take action of a kind that is very similar to the recent so-called subsidy operations.

Senator BUTLER. I think as a general rule we did not mix the subsidy program with the loan program. They were kept separate in their operations, generally speaking.

Mr. HUTSON. I am always confused about the use of the word "subsidy." I am not sure that I have a clear understanding of just how you are using the term now.

Senator BUTLER. The Commodity Credit Corporation has operated at a pretty good profit at times, has it not?

Mr. HUTSON. In some cases we make a profit; yes.

Senator BUTLER. You operate in this way, that you make a loan when commodity prices are comparatively low, and you hold the commodity until it can be sold and return the loan plus all expenses connected therewith. That is not a subsidy program; that is a market-support program. With an organization like the United States Government back of it it is bound to win, and I think it has won, generally speaking. But when you undertake now to buy indiscriminately and take losses, such profits as the producer might be entitled to in the United States are mixed with the business that you do with a foreign government, and you immediately become a deficit operating concern instead of a balanced concern.

Mr. HUTSON. You are more likely to take a loss from a loan than you are on a purchase, Senator. When you make a loan on a commodity, if the price advances the commodity is redeemed and the loan is repaid.

Senator BUTLER. That would be true if the price advanced during the life of the loan; but if the price stayed down during the life of the loan, you would get possession of the commodity.

Mr. HUTSON. Most of the losses that have been incurred to date have been in connection with lending operations rather than purchasing operations.

Senator BANKHEAD. As a rule, when the Commodity Credit Corporation has acquired title the price goes up and the borrower redeems it, does he not?

Mr. HUTSON. Yes.

Senator BANKHEAD. When he gets to the point where he can get out?

Mr. HUTSON. Yes.

Senator BUTLER. If his loan has not expired.

Mr. HUTSON. Sometimes we carry the loans after maturity.

Senator BUCK. The notes payable in your balance sheet a year ago are in the record. I do not know what they were on March 31, 1943.

Mr. HUTSON. The total notes outstanding represent \$1,200,000,000 borrowed from the Treasury, plus about \$400,000,000 that has been sold to the public.

Senator BUCK. That was not shown on the balance sheet, was it?

Mr. HUTSON. That represents the total notes outstanding. I do not believe I have a copy of the balance sheet here. I think it is larger than it was a year ago.

Senator BUCK. I would like to know how much it is this year.

Mr. HUTSON. I will be glad to insert that in the record. The figure referred to is as of April 30, 1943, \$1,526,625,182.

Senator BUCK. What do you want this \$1,000,000,000 for?

Mr. HUTSON. The situation is, roughly, this. I mentioned \$1,600,000,000. In addition, we have underwritten loans now in the hands of banks of between \$500,000,000 and \$600,000,000, making an estimated total on June 30 of \$2,284,000,000.

Senator BUCK. Is \$600,000,000 of that a guaranty that belongs to the banks, and the rest direct loans?

Mr. HUTSON. The rest represents the value of the commodities owned.

Senator BUCK. And loans, perhaps, too?

Mr. HUTSON. We have immediately after the turn of the year the following types of transactions: Wheat loans—

Senator BANKHEAD (interposing). On the new crop?

Mr. HUTSON. Yes. The wheat loans will be the big item. That will be the next program that will be announced. Following that will be the tobacco loans or purchases. Following that, or probably just ahead of or along with the tobacco, will be the 1943 cotton program. Then we will have corn, a little bit later in the year. Those transactions have been carried on for some years, representing a little bit more than half of the total.

It has been necessary, under the amendments that were added to the act when we were up 2 years ago for extension, to make certain commitments with respect to crops in which we want increases in production. We have a commitment outstanding on soybeans of \$1.80 a bushel. We have a commitment outstanding on peanuts at an average of about \$138 a ton, about \$140 for the Virginian and Spanish and about \$130 for others.



Senator BUCK. You do not lend money on crops until they are harvested, do you?

Mr. HUTSON. No. These commitments were made prior to the time that the crops were planted. The harvesting season will start, for those crops that I have mentioned, in the early fall. Also we have commitments with respect to flax. That is another crop that we want an increase in production on. We have commitments with respect to canning production. We have commitments with respect to sugar beets. We are making a purchase of wool, and we are engaged, as I have already indicated, in some foreign purchases. When you add all of these up, estimating as carefully as we can, we find that it will be necessary to be in position to be obligated for an amount of about \$3,700,000,000 in August. That does not mean that we would have notes outstanding for \$3,700,000,000. A considerable part of it would be held by banks. But we must be in position, when a bank or a group of banks makes loans to farmers, to take that loan off their hands at any time; and in order to be in position to do that we must have authority to borrow an amount equal to all of the obligations outstanding. We estimate that toward the end of August that will amount to \$3,700,000,000. Following that, the liquidation of commodities will gradually reduce that, and extending it on to June 30, next, it would amount to about \$2,900,000,000. But at the peak period, which is the period we have to be prepared to take care of, our estimates indicate about \$3,700,000,000 of requirements in total capital and borrowing power; and it is for that purpose, in order to be able to underwrite all of these obligations, that we are requesting authority for the additional \$1,000,000,000 in borrowing power.

Senator BANKHEAD. Mr. Hutson, it is my opinion—I do not know what consideration you have given to it—that for the next marketing year you are going to be required to make a larger volume of loans than at any time in your history, because we have ceiling prices for the first time since we have had a Commodity Credit Corporation, and the prices of cotton, wheat, and corn are up near the ceiling prices. You have no margin there for the profit of purchasers who carry ordinarily the hedges on those basic commodities on the commodity exchanges. Of course, corn is pushing against the ceiling, and cotton is also. Who is going to buy the cotton and the corn? Hedges may get to that point on wheat and tobacco and other commodities. Who is going to buy those things? They have always been carried through the exchanges on the judgment of speculators and investors that there will be a profit. I believe that in the absence of a broader field for speculation than the one that now prevails you will have to carry all of those crops until the mills are ready to take them off your hands. They cannot buy them without going broke. I think the situation that now presents itself is one that is going to call for more loans than you have ever had; a bigger percentage of the crop is going into the loan because there is no other place for it. Of course the loan cuts as a floor.

Senator BUTLER. The loan plan which we have been following, just as Senator Bankhead remarked, acts as a floor, and then we have a ceiling price. I am thinking of wheat, the coming crop. That is your next item in the immediate future. What use are you going



to have for money to loan on wheat when the man that is raising wheat knows he can go to the bank and borrow with the ceiling as a protection to the banker, or he can take a Government loan on the wheat? I think the ceiling price and the loan price operating at the same time will result in the Government's becoming the possessor of practically all of the commodity right now.

Senator BANKHEAD. That is the view that I was trying to express, Senator.

Senator BUTLER. Just how are you going to handle it? There is no storage space.

Mr. HUTSON. The same storage space that would be used if the grain were purchased by the trade, as you know, Senator, would be used. I do not think we will have any tighter storage situation than we had a year ago with respect to wheat. We estimate that we will carry over this year probably a little more wheat than we carried over a year ago. The present prospects are that the crop will be substantially smaller than last year. The wheat crop was exceptionally heavy last year, as we all know.

Senator BUTLER. We will be relieved to this extent, that the surplus wheat we have held is reduced to some extent, so that there will be a little more space available. But you and I and everybody knows that a crop like wheat cannot be taken over by commercial interests or by the Government and taken care of instantaneously. It has got to be kept back on the farm, 1,000 bushels here and 500 bushels there, and it travels to the market during the year. The policy we are talking of here is going to force it all on the market at once. There is no carrying charge provided for paying the farmer for keeping his crop. Just like the soybean program, he gets \$1.80 whether he sold it in the last crop season or now. If there is a carrying charge it is in the form of an increased loan on the next crop, and the fellows who are carrying it are hoping they will get the benefit of that on the crop that they lost last year.

Mr. HUTSON. I believe the wheat program is set up in such a way as to encourage farm storage, to give more encouragement to it. There is an allowance made for storage, as you know. These commodities that are to be moved off the farm can be most efficiently handled if they are moved off the farm when the farmer normally sells. There will be less work and less loss if they are moved off at that time; and insofar as the facilities are available, I think the farmers themselves will take care of it and see that they are utilized. They prefer, as you know, to move the wheat off at the time they harvest it. But it was necessary last year, and it will probably be necessary again this year, for many farmers to keep the wheat on the farm, and we will probably have the problem we had last year of getting enough storage to handle it.

Senator BUTLER. The loans on corn dropped tremendously, did they not, this last crop?

Mr. HUTSON. Yes. I think they were well under 100,000,000 bushels.

Senator BUCK. Do you intend to make loans to farmers in South America on their crops?

Mr. HUTSON. I do not know of any loans in South America on crops.

Senator BUCK. They are all outright purchases?

Mr. HUTSON. Yes. It is much more expensive to handle an operation on a lending basis than on a purchase basis. To lend individual producers you must handle more pieces of paper than in connection with purchasing. But to my knowledge we have no loans in that area.

Senator BUCK. If you need this money for American farmers I have personally no objection to your getting it, but I do not want it used to loan to people in South America.

Mr. HUTSON. If I find that there have been some loans in South America I will correct the record.

Senator BANKHEAD. Have you heard of any such loans, Senator?

Senator BUCK. No, I have not. But we are down there buying things that we don't need and trying to protect their economy with money out of this Corporation. I don't think it was intended that that should ever have been done or that it should be done now.

Senator BALL. Can you, under your authority, make a loan to a foreign producer in a foreign country?

Mr. HUTSON. Under the charter we have very broad powers. I would say so.

Senator BANKHEAD. You cannot do it under the loan law. I do not know whether you can do it generally speaking. The loan law limits it to a certain group of farmers. You certainly cannot do it under the loan law.

Mr. HUTSON. I think, gentlemen, you have really got to give someone authority to take care of immediate problems which may arise. I know of literally dozens of cases that could not be anticipated, that have arisen, in which it appeared that the action that could be taken would be most effectively handled by some lending agency connected with agriculture, and if that action had not been taken the results, from the standpoint of taking care of the situation that confronted us, might have been disastrous.

The CHAIRMAN. You mean, with respect to the war effort?

Mr. HUTSON. Yes. I will mention one particular case that has since been approved by Congress specifically. That was alcohol. Back when Mr. Davis was a member of the advisory commission of the council of national defense it was clear to us that we were going to have difficulty getting enough shipping to get enough molasses in here to make the alcohol that was going to be needed in the months just ahead. Steps were taken to get the distilleries of the country using grain as a supplemental source of raw material for alcohol. In order to get this thing started off we sold a few carloads of grain as low as 25 cents a bushel. The price was soon adjusted upward to a higher basis, but it was necessary to get these plants into operation, or else we were going to run out of alcohol, and it would have affected a whole stream of things in the war effort. Congress came along later and recognized that as a thing that should be done and specifically authorized us to sell grain for alcohol without any restriction on price.

We are moving into those things and trying to keep in line as best we can with the intent of Congress, and we are watching always to keep within the law, but we are taking the action that the exigencies of the moment seem to demand.

The CHAIRMAN. Mr. Hutson, this really is not pertinent, perhaps, but we have talked about subsidies. I have always been confused as to just what subsidies meant. What is a subsidy?

Senator BANKHEAD. I am ready to offer a reward to somebody who can give a good definition of it.

The CHAIRMAN. Take benefit payments which the representatives of agriculture have always approved. Would you call those subsidies?

Mr. HUTSON. The people that do not like them, Mr. Chairman, would call them subsidies. Those who approve of them say they are payments. People that do not like the tariff, say that an industry that is protected by a tariff barrier is subsidized. The man who approves of it uses a different terminology.

The CHAIRMAN. When one says, "I don't want any subsidies," what does that mean?

Senator BANKHEAD. Did we not have a shipping subsidy some time ago in order to build ships? That cost the Government a lot of money.

Mr. HUTSON. I do not remember the details of it, but I remember the incident.

Reviewing our operations in the light of the discussion you people have had with respect to that, I find that if you take the definition that some people give when you sell for less—I am thinking specifically of the Commodity Credit Corporation—for less than you have invested in it, you are subsidizing. I find that, beginning back as early as 1936, it was necessary and good business judgment to sell some commodities for less than was invested. I find that some rather large projects were undertaken. Do you remember, Senator, back in 1936, when we had the price of cotton a little bit above the export-price level and we were disturbed about the exportation of cotton, when it was deemed to be good business judgment to release some cotton back to the farmers, and about 2,740,000 bales were released at less than the loan? There was a loss of some \$14,000,000. Similar operations were carried on from time to time.

Senator BANKHEAD. Was not that cotton released as a substitute for production because we had so much cotton? What year are you talking about?

Mr. HUTSON. I am talking about 1936. I think that might have been in an earlier year, Senator. I do not recall this incident myself, but some of the men who handled that are still over there and, in asking them the reason for it, they gave this relationship to the export market that I have just given.

Senator BANKHEAD. Before we get too far away from this history about the shipping subsidy, I would like to make the statement that in looking through the New York Times on Sunday I found a large number of advertisements by shipping companies, half-page and quarter-page advertisements. I knew they had nothing to sell. They cannot transport anything now. It got to running through my mind, why on earth they were paying so much money for advertising and keeping their business before the public; and the only conclusion I reached about it was that there must be some plan in the offing for a new ship subsidy. I cannot see any other reason for the expenditure of that tremendous amount of money.



Senator BALL. Maybe they are subsidizing an advertising agency.

Senator BANKHEAD. They are subsidizing the newspapers, of course, in the opinion of some newspaper editors.

Senator BALL. Is revolving credit involved in any way in this "roll-back" plan of O. P. A?

Mr. HUTSON. I do not believe so.

Senator BALL. Are they handling that through R. F. C.?

Mr. HUTSON. I understand that is to be handled by the Defense Supplies Corporation, one of the corporations in the R. F. C. group.

Senator BUTLER. This extension of credit asked for here you do not think has anything to do with the roll-back on butter or meat that has been talked of?

Mr. HUTSON. That is correct.

Senator BUTLER. You cannot tell us now about the details of how they expect to handle that?

Mr. HUTSON. No, sir.

Senator BALL. You would have authority to finance that program if you were asked, would you not?

Mr. HUTSON. I think so.

Senator BALL. And you would need more funds?

Mr. HUTSON. Yes; in addition to these requested here, if we expected to engage in operations of that kind. The losses that have been incurred, which some may call subsidies, in connection with the operations of the Commodity Credit Corporation, have had to do primarily with products relating to the increase in production.

Senator BALL. The program that O. P. A. is talking about is to keep prices down. Most of your efforts have been to keep prices level, have they not?

Mr. HUTSON. That is correct.

The CHAIRMAN. Are there any further questions?

(No response.)

Mr. DAVIS, do you want to suggest anything else?

Mr. DAVIS. With your indulgence I would like to comment a little on the term, "subsidy," to which the Senators have referred.

Senator BANKHEAD. Do you have a definition?

Mr. DAVIS. No definition; but I think it will be extremely dangerous if operations are restricted by narrow prohibitions of subsidies in view of the very point you gentlemen raise. I am not clear how much of our operations might be free and how much might not if you just use that kind of a term without a fairly clear definition of what is intended, and I think it is dangerous to attach too much importance to that word where one says, "We are for a subsidy," and another says, "We are against it." I can conceive of situations where it might be extremely important to the economy of the United States and to our effectiveness in the war to put on an educational campaign, backed, let us say, by attractive prices, to induce expanded consumption of things we feel we can produce in plenty in order that the housewife may lean less heavily on commodities that are in great demand.

On that principle one might question the wisdom of a subsidy program that would tend to make the consumption of meat more attractive, let us say, whereas some other protein directly produced from the land might be the one you wanted to expand the consumption of in the civilian economy.



I think the most important job that is confronting us in this country on the civilian front is to see that we produce to the maximum the food we are going to need for the people of this country and for the others that are dependent on it. Those of us who are given a temporary responsibility in that connection should not be hampered too much in trying to solve the problem, in my judgment. I do not want that to be taken to mean that I believe a particular system of subsidies can be used as the chief implement in controlling inflation or in making direct price controls effective. As the Senators know, I believe control of inflation requires action on a very broad front. Monetary and fiscal policies are fundamental. I believe that there are important instances where activities which under a narrow definition would be classed as subsidies may be very important in our operations.

I think all of this discussion has helped, because it is necessary that the United States forge out of public discussion a policy on production and prices that we are going to follow. But I hate to see the country divided into two hostile camps, one labeled "Prosubsidy" and the other labeled "Antisubsidy," when the truth is probably in between them somewhere.

Senator BUTLER. I am sure we are all prompted by the same urge to get the job done. We have got a job on our hands and we want it done. But I think there is a principle involved when you come to the discussion of a subsidy program as applied to the production of food. There is one incentive that will get the job done, and I think it will get it done without unduly advancing prices, and that would be a reasonable advance in price and let the consumer pay the bill that we are talking about here, and it can be done with less money than if we appropriated money out of the United States Treasury.

Mr. DAVIS. Senator, I believe the farmers of the United States have done a splendid job, as I know you do, in planting and in breeding livestock and in producing. I do not think the farmers have, as a whole, been clamoring for any general advance in farm prices. I do believe that there are certain adjustments in price relationship that have to be made constantly. You cannot freeze them readily, because you have got to emphasize the things you need the most and deemphasize those that you do not need, perhaps. But again I say, without making our chief reliance the United States Treasury, that there may be and undoubtedly will be instances where the proper thing to do is to move in with an operation which might be called a subsidy.

I was interested in your remark about the efficacy of a loan program and the probability that it always was going to make money, and I recalled the experience of the Federal Farm Board, when that was the chief implement they relied on; that is, to pick up the commodities and hold them until they could be sold at a profit. It depends on which way the market trend is running whether it is a profitable operation or whether it amounts to a subsidy, because you are making loans when, within any reasonable period of time, you have not a Chinaman's chance of coming out whole.

Under some kind of a definition that would be a subsidy.

Senator BANKHEAD. With reference to the subject that Senator Butler raised, one thing that disturbs me is that there is no real increase in farm prices that I have heard of lately, to the benefit of the farmer, but we hear constantly just complaints of increased prices by

the retailer to the consumer. I do not know whether there is any way to stop that or not. Lately somebody made an investigation and found there was a large spread on potatoes, a spread of 60 cents a bushel, which was not justified, and the Office of Price Administration rolled it back to 60 cents and gave the farmer half of it. But there was 60 cents that there was no justification for that the consumer had been paying. I do not know what we are going to do about that. Subsidies, of course, do not reach that far. The farmer would not get the benefit of the subsidy, as I see it.

Senator BALL. If we do not have better enforcement of price ceilings a 5-percent roll-back with a subsidy to the producer would not mean anything to the consumer. He would still pay the same price, and somebody in between would pocket the 5-percent subsidy.

Senator BANKHEAD. Not if it is rolled back 5 percent. It depends on whether you can roll it all the way back. Certainly the consumer would benefit 5 percent if the retail price was reduced 5 percent.

Senator BALL. If they do not have better enforcement of the retail levels they will never roll it back. They will pay the producer, the processor, or somebody a 5-percent subsidy, and the consumer will still pay the same price.

Senator BANKHEAD. It will probably increase after the commodity leaves the farm. There is no material change in the price on the farm.

Mr. DAVIS. The basic trouble is not reached by direct price-control orders or press releases or anything of that kind. The civilian population has more money in its pockets to spend today than ever before in the history of this country. They are denied the opportunity to buy durable goods, because all those things are turned into implements for war. They concentrate on food. In the first full year of war we in the United States ate up more food, in spite of our talk of sacrificing, than we had ever consumed in any 12-month period in the history of the United States; and unless you gentlemen recapture that money, before it gets into the pocket to be spent, by withholding taxation and heavier investment in Government securities, you are going to have people who are out trying to buy these goods, and it is going to be very difficult to stop it merely by orders, in my judgment.

Senator BANKHEAD. I realize the trouble is in the black markets. Take meats of all sorts, the farmer has not had an increase lately, has he? I mean, within the last 2 months.

Mr. DAVIS. Hog prices have actually gone down close to \$1.50 a hundred since April 1. Cattle prices have been running at a fairly high level. I have not checked cattle prices lately. The last time I looked was between the 17th of May and the 1st of April, and I think there had been something like 75 cents reduction on top grades of cattle.

Senator BANKHEAD. There has been no substantial increase in the prices of wheat and corn. When you eliminate meat in large measure you have to come down to vegetables, garden truck.

Mr. DAVIS. In truck crops, of course, some scarcities have developed. You are familiar with what happened in the case of potatoes. Some scarcities developed. It was not that the fellow who had them on the farm got such a high price, but they bid them up in the markets.

Senator BANKHEAD. The price of potatoes was recently reduced to the farmer. There have been difficulties about production during the

bad weather we have been having, and there are bad transportation facilities. But the main food commodities, as I see the picture, have not been increased. So this constant outcry about increasing prices should be directed to the distribution program. How to reach it I do not know.

Mr. HUTSON. I have a short statement that was worked out by some of the people in the Department and in the General Accounting Office with respect to the accounting phase of this bill, covering certain relationships between the Commodity Credit Corporation and the General Accounting Office. I would like to submit it for the record if I may.

Senator BANKHEAD (presiding). Yes; you may put it in the record.

Mr. HUTSON. It is entitled "Explanation of section 3 of S. 1108":

Section 3 provides for an audit of the capital fund operations of the Commodity Credit Corporation by the General Accounting Office. It is provided that this audit shall be made in accordance with principles applicable to commercial corporate transactions. Since the establishment of the Corporation, in 1933, its capital fund operations have been subjected to a commercial type of audit by the Reconstruction Finance Corporation as an incident to the financial relationship between the two Corporations. In addition, many of the capital fund operations which are carried out through the facilities of the Federal Reserve Banks have also, because of the interest of the banks in these operations, been subjected to a commercial type of audit by these banks. Moreover, pursuant to the act of March 8, 1938 (52 Stat. 107, as amended), the Treasury Department makes an annual appraisal of the assets and liabilities and a determination of the net worth of the Corporation and reports the same annually to Congress.

The administrative expenses of the Corporation are audited by the General Accounting Office in accordance with the regular governmental type of audit as required by the appropriation act making funds of the Corporation available for these expenses. This audit of administrative expenses by the General Accounting Office is not disturbed by the bill, but the audit of the capital fund transactions provided by this bill could replace the commercial type audit made by the Reconstruction Finance Corporation.

As an incorporated agency of the United States the Commodity Credit Corporation follows business methods and procedures in the performance of its functions rather than the customary pattern of Government departments or bureau operations. Flexibility in operation, an essential attribute of the corporate form of organization, is indispensable to the accomplishment of the functions and objectives for which Congress has directed that the Commodity Credit Corporation be employed. The War Food Administrator and the Comptroller General of the United States agree that the regular governmental type of audit is not adaptable to the capital fund operations of the Commodity Credit Corporation.

In general, the purpose of the governmental type of audit is to determine the validity of expenditures under appropriations made by the Congress, in the light of restrictions and limitations placed by the Congress generally upon the expenditure of appropriated moneys. It is a part of a system designed to enforce the personal accountability of governmental officers authorizing or expending those funds upon the basis of documents and records usually submitted to the General Accounting Office and retained in its custody. In contrast, the commercial type of audit is separate and apart from the accounting system and internal financial control of the Corporation and is designed to determine the true financial condition of the Corporation as of a given date, and the results of its financial operations during the period covered by the audit, as well as establishing whether the funds of the Corporation have been regularly expended in accordance with corporate authorization. These determinations are made by detailed examination of the operating and financial records of the Corporation at the places where they are being used in the conduct of corporate business.

The Commodity Credit Corporation's fiscal responsibility is vested in the Corporation and not in the individual fiscal agents. In other words, the fiscal agents are responsible to the Corporation which in turn is liable to the Federal Government for the Government's investment in the Corporation. The



examination of the individual accounts of particular fiscal agents with a view to external control and settlement would not facilitate a determination of the financial standing or progress of the Corporation as a whole. Such an examination would, as a matter of fact, seriously interfere with the Corporation's internal financial management and impair the flexibility which is the very basis of the Corporation's existence.

The fundamental difference between the two types of audit, and the inadequacy of the governmental type of audit as applied to capital fund operations of the Corporation may be more clearly seen from a comparison of the procedures involved.

The governmental type of audit generally involves the following seven steps:

1. The fixing of the amount for which the disbursing officer is accountable under his bonded responsibility by reason of the advance of funds under particular appropriations upon accountable warrants and by reason of collections received by him;

2. The submission by the designated disbursing officer to the General Accounting Office for audit and settlement of an account supported by certified vouchers and by other original papers evidencing specific payments which he has made from the particular funds charged to him;

3. The examination by the General Accounting Office of these vouchers and other original supporting papers to determine whether the payments covered thereby were properly authorized and whether the expenditures represent valid obligations of the Government under the specific appropriation sought to be charged;

4. The settlement by the General Accounting Office of the disbursing officer's account and the determination of his liability to the United States;

5. The determination of the liability to the United States of the officer certifying for payment the items included in the disbursing officer's account;

6. The preparation and issuance of certificates of settlement incorporating all unexplained or unadjusted differences developed in the examinations of the accounts; and

7. The institution of collection proceedings if the accountable officer fails to pay over any balances found due from him in the settlement.

The commercial type of audit ordinarily made of large business corporations usually involves the following seven steps:

1. The establishment of the authorities of the various officers and employees by reference to the original articles of incorporation, bylaws, minutes of the Board of Directors, and other official authorizations taken in the name of the Corporation;

2. The verification, through appropriate checks, of the original general and subsidiary ledgers by comparison of original collection and disbursement documents with such ledgers and, in connection with this, the determination that all actions reviewed are properly authorized;

3. The verification from the original accounting records and supporting documents of the accuracy of all items appearing on the balance sheet, including verification of all cash on hand and in banks, and, when needed, positive establishment of the existence of assets by physical inventory methods or through inquiries addressed to debtors and the determination of actual liabilities through inquiries addressed to creditors;

4. The review and establishment of the accuracy of any operating statements to determine that they clearly indicate the financial progress of the Corporation during the period covered by the audit, including proper reflection of any profits made or losses suffered;

5. Determination, in light of the actions by the Board of Directors and any changes in the policies of the Corporation, that proper records are established and necessary safeguards developed correctly to reflect the financial operations of the Corporation and to protect the Corporation from financial loss which can be prevented by proper and adequate records and procedures;

6. The preparation of a report covering the audit, including certified financial statements and comments deemed appropriate by the auditor, such as recommendation for changes in the accounting procedure and records, errors still uncorrected at the completion of the audit, analysis of facts brought out in the financial statements, and the submission of such a report to the officials ordering the audit; and

7. The institution of corrective action by the corporate management.



Aside from the more fundamental differences in approach and purposes apparent between these two systems, it should also be noted that the nature of the capital fund operations of the Corporation is such that it is impractical, if not impossible, to assemble in one place the original vouchers and other original papers supporting the capital fund operations of the Corporation and still permit the Corporation to carry out the business responsibilities imposed upon it by the Congress. For example, papers, supporting particular transactions such as warehouse receipts, bills of sale, etc., must, in many cases, be retained by the Corporation at particular locations for continued use in connection with the original transaction. In other cases, these original documents are required to be recorded and held in public offices or deposited with banks or other institutions. As a further example, notes purchased by the Commodity Credit Corporation, evidencing borrowings by farmers and others, are required to be deposited with the banks at which the notes are to be paid for eventual surrender upon payment.

The regular governmental type of audit deals solely with the receipt and expenditure of funds. In the case of the Commodity Credit Corporation, which has large stocks of commodities on hand, large amounts of receivables and payables and similar items that develop as a result of the commercial nature of its operations, an audit dealing with only the cash receipts and expenditures is totally inadequate. The commercial type audit as outlined above covers the entire financial operation and is the only type which will provide, in the opinion of the War Food Administrator and the Comptroller General, an adequate audit and a comprehensive report for this Corporation.

Although the Corporation has had the benefit of a commercial type of audit of its capital fund operations in the past by the Reconstruction Finance Corporation and also in some instances by the Federal Reserve banks, it recognizes the desirability of having that audit performed by the public auditor, the General Accounting Office. The General Accounting Office also recognizes the desirability of performing this type of audit for the Corporation, but considerable doubt is entertained whether it is authorized to do so under existing legislation. On the other hand, considerable doubt is entertained whether the Commodity Credit Corporation is authorized to permit a regular governmental type of audit of its capital fund operations. Accordingly, the Congress is asked to resolve these doubts by specifically authorizing the General Accounting Office to make an audit of the capital fund operations of the Commodity Credit Corporation in accordance with the principles applicable to commercial corporate operations, as provided in section 3 of the bill.

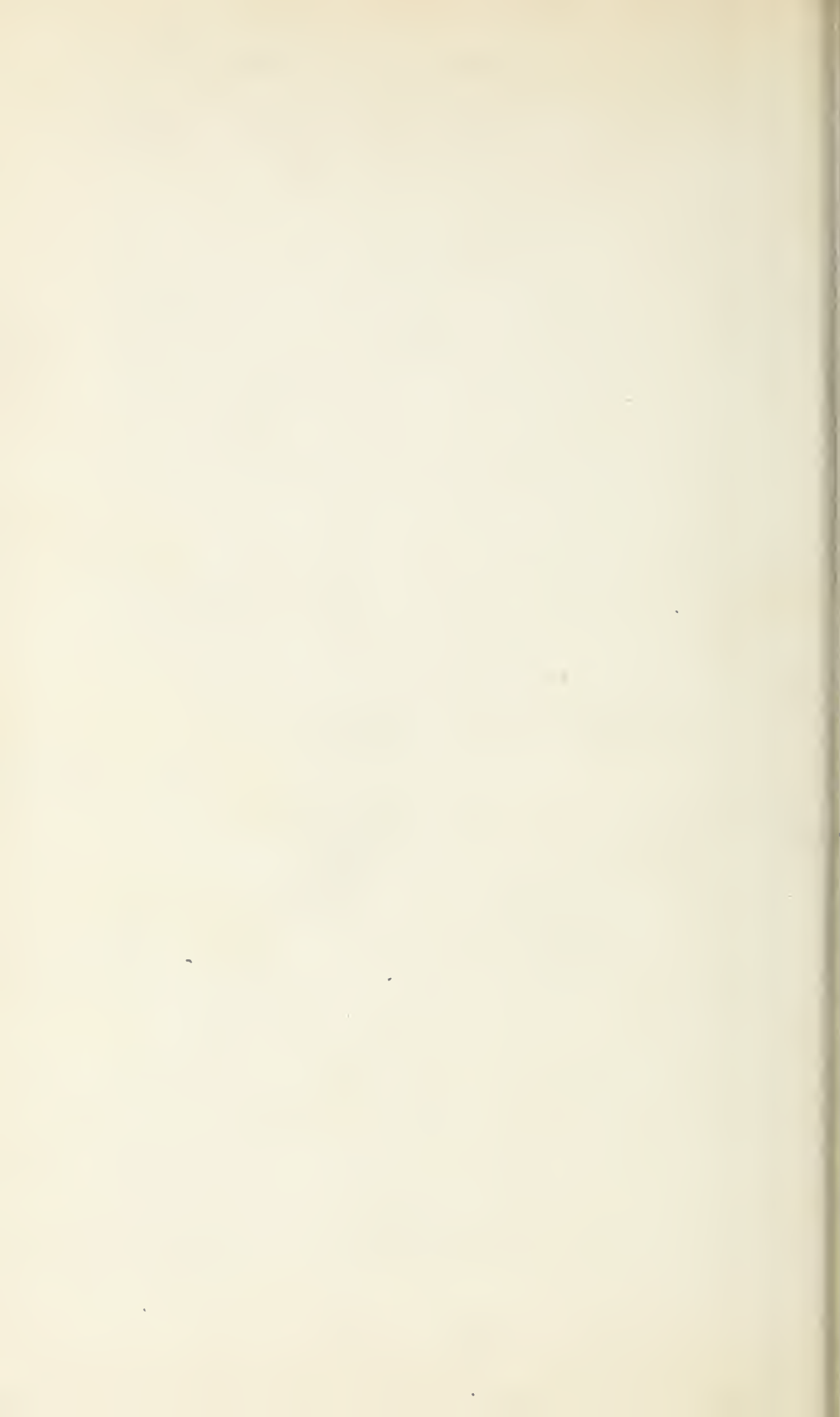
The language providing for this type of audit is proposed as an amendment to section 7 of 49 Stat. 1, 4, which is the act recognizing Commodity Credit Corporation as an agency of the United States and providing that its corporate funds shall remain available as such for corporate functions. In view of the fact that the General Accounting Office has the responsibility of applying the legislative restrictions relating to public funds generally, the phrase "without regard to provisions of any other existing law relating to public funds" is included as declaratory of the present status of the corporation's capital funds and to furnish a guide in the performance of the special type of auditing functions provided for in the bill. Similarly, the proviso "that the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business," merely restates the present responsibility of the Corporation to keep accounts and determine procedures.

The subsection proposed as (b) of section 7 of 49 Stat. 1, 4, directs the General Accounting Office to audit the financial transactions of the Commodity Credit Corporation in accordance with the principles applicable to commercial corporate transactions. The principle of the proposed audit is an examination of the accounts of the Corporation as such and not those of any particular person, or the enforcement of any personal responsibility. Pursuant to this and the remaining subsections through (d), the Comptroller General is given power to prescribe rules and regulations which shall govern performance by the General Accounting Office of the duties imposed by this bill, but nothing in the bill disturbs—in fact, the bill expressly preserves—the existing power of the Corporation incident to its corporate form, (a) to control finally and conclusively the settlement and adjustment of the accounts involving corporate funds, (b) to make final and conclusive settlements of claims by and against the Corporation, (c) to make final and conclusive settlements of any claims

by and against fiscal officers of the Corporation, (d) to retain full custody of all corporate records and documents. Any examination of such records and documents during the course of the audit by the General Accounting Office must be made at the place or places where they are normally kept in the transaction of corporate business.

In the making of the audit the General Accounting Office is given full access to the papers, books, files, accounts, financial records, warehouses, and all other things, property and places belonging to or under the control of or used or employed by the Corporation and is afforded full facilities for verifying transactions with and balances in depositaries and with fiscal agents. If satisfied that unnecessary duplication will thereby be avoided and that the public interest is sufficiently protected, the General Accounting Office is given authority to accept, without further audit verification, certified financial reports and schedules of the fiscal agents of the Corporation based on commercial audits in the usual course of business. The expenses of the audit under the proposed legislation until June 30, 1945, will be paid by the Corporation from corporate funds. It is provided that the audit shall begin with financial transactions from July 1, 1943, and that a report of the audit covering each fiscal year shall be submitted to Congress after the Corporation and the Secretary of Agriculture have been afforded a reasonable opportunity to examine the report, point out errors therein, explain or answer the same, and file a statement which shall be submitted by the Comptroller General with his report. It is not intended that this report should include a detailed recital of all items questioned and minute steps taken in the progress of the audit, but that it should cover, in the discretion of the Comptroller General, a narrative or summary statement of the financial status of the Corporation, its financial progress, the methods by which the results reported were ascertained and significant factors disclosed by the audit, together with recommendations with regard thereto. It is further provided that a copy of the audit shall be transmitted to the Secretary of the Treasury for his information and consideration in appraising the assets and liabilities and in the determination of the net worth of the Corporation under sections 1 and 2 of the act of March 8, 1938 (52 Stat. 107), as amended.

(Thereupon, at 12:15 p. m., after informal discussion, the committee adjourned subject to the call of the chairman.)









CONTINUING COMMODITY CREDIT CORPORATION AS  
AN AGENCY OF THE UNITED STATES

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JUNE 4 (legislative day, MAY 24), 1943.—Ordered to be printed

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Mr. BANKHEAD, from the Committee on Banking and Currency,  
submitted the following

## REPORT

[To accompany S. 1108]

The Committee on Banking and Currency, to whom was referred the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its credit resources, revise the basis of the annual appraisal of its assets, and provide for a commercial audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes, having considered the same, report favorably thereon and recommend that the bill do pass.

## STATEMENT

Section 1 of the bill changes the date of the annual appraisal of the corporate assets, provided for by the act of March 8, 1938, as amended (52 Stat. 107), from March 31 to June 30, to coincide with the fiscal year, and changes the basis of the appraisal to cost, or the average market price during the last month of the fiscal year covered by the appraisal, whichever is lower.

Section 2 of the bill increases the borrowing power of the Corporation from \$2,650,000,000 to \$3,650,000,000—an increase of \$1,000,000,000. The increase in the limitation on the authority of the Corporation to borrow on the credit of the United States is considered necessary in order to make available to the Corporation, as needed, credit resources adequate for the Corporation's operations. The estimates submitted to the committee by the Corporation show that on June 30, 1943, all but \$465,250,000 of its total resources will be committed. Commitments during the fiscal year ending June 30, 1944, are estimated at \$2,059,165,000, most of which must be committed during the first 2 months of the fiscal year, prior to the harvesting season. About \$622,000,000 of the total amount needed for new commitments will be available from collections of sales proceeds and repayments of

loans before it is necessary to make all commitments for loans and purchases. The Corporation, therefore, will need increased borrowing authority to the extent of approximately \$972,000,000 in order to have credit resources adequate to meet its outstanding commitments.

It is not contemplated, however, that the Corporation will actually borrow on the credit of the United States to the full extent of the proposed increase in borrowing authorization. In the conduct of its operations, the Corporation normally makes substantial use of private credit and trade facilities. For example, in the case of loan programs on agricultural commodities, loans are made largely by private banks upon the Corporation's agreement to take over such loans at the request of the banks. This arrangement makes it possible for the Corporation to finance its operations with a minimum financial outlay of its own. The Corporation must, however, at all times have borrowing power sufficient to take over all outstanding loans if requested to do so, even though it is not likely that such requests will be made to the full extent of the Corporation's undertakings with the banks.

The Corporation's activities consist largely of lending, purchasing, selling, and engaging in other operations for the purpose of supporting the price of agricultural commodities to producers, facilitating the orderly marketing of such commodities and the products thereof, and making available agricultural commodities and products thereof adequate to meet war requirements. These activities include operations relating to cotton, corn, wheat, rice, tobacco, peanuts, potatoes, butter, cheese, hemp, flax, naval stores, rye, grain sorghums, barley, cottonseed, soybeans, flaxseed, vegetable oils, vegetable seeds, sugar, vegetables for canning, wool, and other commodities and production facilities. The operations of the Corporation during the 10 years of its existence have involved a total amount of \$6,300,000,000, with appraised and actual losses of \$144,000,000 during such 10-year period.

Many of the operations described above, such as loans on the basic agricultural commodities and price support operations with respect to certain nonbasic commodities, are by statute mandatory at not less than specified price levels and for a period of at least 2 years after the war. Thus, by the act of May 26, 1941 (55 Stat. 203), as amended by the act of December 26, 1941 (55 Stat. 860), the Commodity Credit Corporation was required to make available loans at the rate of 85 percent of parity on the 1941 through 1946 crops of the basic commodities, corn, cotton, wheat, rice, tobacco, and peanuts. The act of October 2, 1942 (Public, No. 729, 77th Cong.), requires the Corporation to make available loans at the rate of 90 percent of parity (or 85 percent of parity if the President finds such action necessary in order to prevent an increase in the cost of feed for livestock and to aid in the prosecution of the war) upon any crop of the basic commodities harvested after December 31, 1941, and before the expiration of the 2-year period beginning with the 1st day of January immediately following the date upon which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have terminated.

In addition, section 4 of the act of July 1, 1941 (55 Stat. 498), directs the Secretary of Agriculture, if he finds it necessary to encourage the expansion of production of any nonbasic agricultural commodity, to use the funds available to Commodity Credit Corpora-

tion through a loan, purchase, or other operation, so as to support a price to the producers of such nonbasic agricultural commodity of not less than 85 percent of the parity or comparable price. The act of October 2, 1942, increased the minimum support price level to 90 percent of the parity or comparable price, and required, as in the case of mandatory loans on the basic agricultural commodities, such price supporting operations be continued for at least 2 full years after the termination of the war. These price support functions of the Secretary were recently transferred to the War Food Administrator by Executive order.

It seems necessary and appropriate formally to authorize the Corporation to continue as an agency of the United States. Section 3 of the bill as reported provides, accordingly, for the extension of the Corporation's life as an agency of the United States until June 30, 1945. This section is proposed as an amendment to section 7 of the act of January 31, 1935 (49 Stat. 1, 4), as amended, the act recognizing the Commodity Credit Corporation as a corporate agency of the United States and providing that its corporate funds shall remain available for the purpose of its corporate operations under the charter and applicable laws.

Section 3 of the bill also provides for an audit of the capital fund operations of the Corporation to be made by the General Accounting Office in accordance with principles applicable to commercial corporate transactions. The War Food Administrator and the Comptroller General of the United States agree that the regular governmental type of audit is not adaptable to the capital fund operations of the Commodity Credit Corporation.

The commercial type of audit as outlined in the hearings is designed to determine the true financial condition of the Corporation as of a given date and the results of its financial operations during the period covered by the audit, as well as to establish whether the funds of the Corporation have been regularly expended in accordance with corporate authorization. These determinations are made by detailed examination of the operating and financial records of the Corporation at the places where they are being used in the conduct of corporate business.

The phrase "without regard to provisions of any other existing law relating to public funds" which is included in section 3 of the bill is merely declaratory of the present status of the Corporation's capital funds as far as action by the General Accounting Office is concerned. General restrictive statutes, such section 3709, Revised Statutes, requiring the solicitation of bids before entering into contracts of purchase, are obviously incompatible with price-supporting purchases and purchases of commodities abroad where price is not the essential consideration. The proviso "That the Corporation shall at all times maintain complete and accurate books of account and shall determine the procedures to be followed in the transaction of the corporate business," merely restates the present responsibility of the Corporation to keep accounts and determine procedures.

The principle of the proposed audit is an examination of the accounts of the Corporation as such and not those of any particular person, or the enforcement of any personal responsibility. The bill gives to the Comptroller General power to prescribe rules and regulations which shall govern the performance by the General Accounting



Office of the duties imposed by this bill, but nothing in the bill disturbs—in fact, the bill expressly preserves—the existing power of the Corporation incident to its corporate form, (a) to control finally and conclusively the settlement and adjustment of the accounts involving corporate funds, (b) to make final and conclusive settlements of claims by and against the Corporation, (c) to make final and conclusive settlements of any claims by and against fiscal officers of the Corporation, and (d) to retain full custody of all corporate records and documents. Any examination of such records and documents during the course of the audit by the General Accounting Office must be made at the place or places where they are normally kept in the transaction of corporate business.

The accounting provisions of the bill have the unqualified support of the Comptroller General of the United States.

Section 4 of the bill authorizes the Federal Reserve banks to act as depositaries, custodians, and fiscal agents of the Commodity Credit Corporation.

Section 5 of the bill as reported contains a provision prohibiting the use of funds of the Commodity Credit Corporation for the purpose of compensating producers, processors, manufacturers, or persons engaged in the production, marketing, distribution, or handling of any agricultural commodity, or any commodity processed or manufactured in whole or substantial part from any agricultural commodity (including livestock), for any reduction or roll-back of maximum prices established under the Emergency Price Control Act of 1942 or the Stabilization Act of October 2, 1942. However, funds of the Commodity Credit Corporation may be used for such purpose if the Congress, by appropriation or otherwise, authorizes such use. The Corporation's funds may be used as authorized by law except to the extent prohibited by this section.



Calendar No. 289

78TH CONGRESS  
1ST SESSION

**S. 1108**

[Report No. 286]

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IN THE SENATE OF THE UNITED STATES

MAY 14 (legislative day, MAY 12), 1943

Mr. WAGNER introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

JUNE 4 (calendar day, MAY 24), 1943

Reported by Mr. BANKHEAD, with amendments

[Omit the part struck through and insert the part printed in italic]

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**A BILL**

To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That section 1 of the Act approved March 8, 1938 (52 Stat.  
4       107), as amended, is hereby amended by deleting from the  
5       first sentence thereof the term "31st of March" where that  
6       term first appears therein and substituting in lieu thereof the  
7       term "30th of June", and by deleting from the second  
8       sentence thereof "on the basis of the cost, including not more

1 than one year of carrying charges, of such assets to the  
2 Corporation, or the average market prices of such assets for  
3 a period of twelve months ending with March 31 of each year,  
4 whichever is less," and inserting in lieu thereof "on the basis  
5 of the cost, or insofar as practicable, the average market price  
6 of such assets during the last month of the fiscal year covered  
7 by the appraisal, whichever is the lower." Only one appraisal  
8 of the assets and liabilities of the *Commodity Credit* Corpo-  
9 ration shall be made during the calendar year 1943 which  
10 shall be on the basis established by this amendment.

11 SEC. 2. Section 4 of the Act approved March 8, 1938  
12 (52 Stat. 108), as amended, is hereby amended by deleting  
13 the term "\$2,650,000,000" and inserting in lieu thereof the  
14 term "\$3,650,000,000".

15 SEC. 3. Section 7 of the Act approved January 31, 1935  
16 (49 Stat. 4), as amended, is hereby amended by changing  
17 the designation thereof to section 7 (a) and by deleting  
18 from the first sentence thereof the term "June 30, 1943"  
19 and by inserting in lieu thereof "June 30, 1947, or the end  
20 of the second year following the first day of January im-  
21 mediately following the date upon which the President by  
22 proclamation or the Congress by concurrent resolution de-  
23 clares that hostilities in the present war have terminated,  
24 whichever is the later 1945"; and is further hereby amended  
25 by striking out the period at the end of the section and insert-

1 ing in lieu thereof a comma and the following: “without  
2 regard to provisions of any other existing law relating to  
3 public funds: *Provided, however,* That the Corporation shall  
4 at all times maintain complete and accurate books of account  
5 and shall determine the procedures to be followed in the  
6 transaction of the corporate business.

7 “(b) The financial transactions of the Corporation begin-  
8 ning with the period from July 1, 1943, shall be audited by  
9 the General Accounting Office in accordance with the princi-  
10 ples applicable to commercial corporate transactions and under  
11 such rules and regulations as may be prescribed by the Comp-  
12 troller General of the United States: *Provided,* That the  
13 Corporation shall continue to have the authority to make  
14 final and conclusive settlement and adjustment of any claims  
15 by or against the Corporation or the accounts of its fiscal  
16 officers: *Provided further,* That a report of such audit shall  
17 be made to the Congress, together with such recommenda-  
18 tions as the Comptroller General may deem advisable, and  
19 that each such report shall cover a period of one fiscal year  
20 and shall not be made until the Corporation and the Secretary  
21 of Agriculture shall have had a reasonable opportunity, not to  
22 exceed ninety days, to examine the report, point out errors  
23 therein, explain or answer the same, and file a statement  
24 which shall be submitted by the Comptroller General with  
25 his report: *Provided further,* That a copy of each such report



1 shall be furnished the Secretary of the Treasury and that the  
2 findings contained therein shall be considered by the Secre-  
3 tary in appraising the assets and liabilities and determining  
4 the net worth of the Corporation under sections 1 and 2 of the  
5 Act of March 8, 1938 (52 Stat. 107), as amended: *Pro-*  
6 *vided, however,* That nothing in this section shall be con-  
7 strued as modifying legislation authorizing the use of funds  
8 of the Corporation for administrative expenses and requiring  
9 accountability therefor.

10 “(c) The expenses of the audit as provided in this section  
11 may be paid up to and including June 30, 1945, from moneys  
12 advanced therefor by the Corporation, or from any appro-  
13 priation or appropriations for the General Accounting Office,  
14 and appropriations so used shall be reimbursed promptly by  
15 the Corporation as billed by the Comptroller General: *Pro-*  
16 *vided,* That any such advances or reimbursements shall be  
17 considered as nonadministrative expenses of the Corporation.  
18 For the purpose of such audit the representatives of the Gen-  
19 eral Accounting Office shall have access to all papers, books,  
20 files, accounts, financial records, warehouses, and all other  
21 things, property and places belonging to or under the control  
22 of or used or employed by the Corporation and shall be  
23 afforded full facilities for verifying transactions with and  
24 balances in depositaries and with fiscal agents: *Provided fur-*  
25 *ther,* That the certified financial reports and schedules of the

1 fiscal agents of the Corporation based on commercial audits  
2 in the usual course of business may be accepted by the  
3 General Accounting Office in its audit of the financial trans-  
4 actions of the Corporation as final and not subject to further  
5 audit verification.

6 “(d) Any examination of the corporate records shall  
7 be made at the place or places where such records are  
8 normally kept in the transaction of the corporate business,  
9 and the Corporation shall retain custody of contracts, vouch-  
10 ers, schedules, or other financial or accounting documents,  
11 either original or duplicate, relating to its nonadministrative  
12 transactions.”

13 SEC. 4. The Federal Reserve banks are hereby author-  
14 ized to act as depositaries, custodians, and fiscal agents for  
15 the Commodity Credit Corporation.

16 *SEC. 5. Whenever a maximum price or prices shall*  
17 *have been established for any agricultural commodity or any*  
18 *commodity processed or manufactured in whole or substan-*  
19 *tial part from any agricultural commodity, including live-*  
20 *stock, under authority of the Emergency Price Control Act*  
21 *of 1942 or of the Act entitled “An Act to amend the Emer-*  
22 *gency Price Control Act of 1942, to aid in preventing in-*  
23 *flation, and for other purposes”, approved October 2, 1942,*  
24 *no subsidy or other payments shall be made either directly*  
25 *or indirectly to a producer, processor, manufacturer, or any*

78TH CONGRESS  
1ST Session

**S. 1108**

[Report No. 286]

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## **A BILL**

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To continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

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By Mr. WAGNER

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MAY 14 (legislative day, MAY 12), 1943 \*  
Read twice and referred to the Committee on  
Banking and Currency

JUNE 4 (legislative day, MAY 24), 1943  
Reported with amendments







78TH CONGRESS  
1ST SESSION

# S. 1108

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IN THE SENATE OF THE UNITED STATES

JUNE 18 (legislative day, MAY 24), 1943  
Ordered to lie on the table and to be printed

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## AMENDMENT

Intended to be proposed by Mr. TAFT to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes, viz: Strike out section 5 and insert in lieu thereof the following:

1. SEC. 5. Neither the Commodity Credit Corporation, the
- 2 Reconstruction Finance Corporation, its subsidiaries, nor any
- 3 other Government-owned corporation shall pay any sub-
- 4 sidies or purchase any commodities for the purpose of selling
- 5 them at a loss, or borrow any money to be used for any
- 6 such purpose, nor shall any appropriation heretofore or
- 7 hereafter made by the Congress be used for any such pur-

1 pose, except as provided in this section or hereafter expressly  
2 authorized by the Congress:

3 (a) The Reconstruction Finance Corporation is author-  
4 ized to borrow money and pay subsidies therewith to shippers  
5 of commodities to reimburse them for increased costs of  
6 transportation resulting from the war emergency.

7 (b) The Reconstruction Finance Corporation is author-  
8 ized to borrow money and to pay subsidies therewith, or  
9 purchase commodities therewith for the purpose of selling  
10 them at a loss, whenever 90 per centum of such subsidized  
11 commodities are sold to the United States Government, or  
12 to any of the United Nations, or sold for use in the prepara-  
13 tion or manufacture of materials, supplies, equipment, or  
14 munitions of war to be purchased by the United States  
15 Government or by any of the United Nations.

16 (c) The Reconstruction Finance Corporation is author-  
17 ized to borrow not to exceed \$250,000,000 before July 1,  
18 1944, and to use said sum to pay subsidies or purchase com-  
19 modities with the intention of selling them at a loss, for the  
20 purpose of obtaining the maximum necessary production of  
21 such commodity or to prevent price increases thereof.





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## **AMENDMENT**

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Intended to be proposed by Mr. Tamm to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

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JUNE 18 (legislative day, May 24), 1943

Ordered to lie on the table and to be printed





78TH CONGRESS  
1ST SESSION

# S. 1108

---

IN THE SENATE OF THE UNITED STATES

JUNE 23 (legislative day, MAY 24), 1943

Ordered to lie on the table and to be printed

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## AMENDMENT

Intended to be proposed by Mr. CLARK of Missouri to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes, viz: Amend the bill in the appropriate place:

1       That on and after the date of enactment of this Act no  
2 authority shall be exercised by the Price Administrator,  
3 the Federal Loan Administrator, or any other governmental  
4 agency or corporation with respect to the making of any  
5 subsidy payments under section 2 (c) of the Emergency  
6 Price Control Act of 1942, as amended, and any authority



1 contained in such section with respect to the making of  
2 subsidy payments is hereby repealed: *Provided, That*  
3 nothing in this Act shall be construed to affect in any man-  
4 ner the rights or interests of any person who has acted in  
5 good faith in reliance upon any regulation or order issued  
6 prior to the date of enactment of this Act with respect to  
7 such subsidy payments under the authority of such section  
8 2 (e), and to the extent necessary to protect the rights or  
9 interests of any such person in connection with transactions  
10 heretofore made or entered into such subsidy payments may  
11 be made.



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## AMENDMENT

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Intended to be proposed by Mr. Clark of Missouri to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

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JUNE 23 (legislative day, MAY 24), 1943

Ordered to lie on the table and to be printed







# S. 1108

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## IN THE SENATE OF THE UNITED STATES

JUNE 24 (legislative day, MAY 24), 1943

Ordered to lie on the table and to be printed

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## AMENDMENT

Intended to be proposed by Mr. JOHNSON of Colorado to the amendment proposed by Mr. CLARK of Missouri to the bill (S. 1108), to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes, viz: At the end of the said amendment insert the following:

- 1       On page 2, line 11, change the period to a colon and
- 2   add the following: "*Provided further*, That in the case of
- 3   any commodity which has heretofore or may hereafter be
- 4   defined as a strategic or critical material by the President
- 5   pursuant to section 5d of the Reconstruction Finance Cor-

1 poration Act, as amended, such determinations shall be made  
2 by the Federal Loan Administrator, with the approval of the  
3 President, and, notwithstanding any other provision of this  
4 Act or of any existing law, such commodity may be bought  
5 or sold, or stored or used, and such subsidy payments to  
6 domestic producers thereof may be paid, only by corporations  
7 created or organized pursuant to such section 5d; except that  
8 in the case of the sale of any commodity by any such cor-  
9 poration, the sale price therefor shall not exceed any maxi-  
10 mum price established pursuant to subsection (a) of this  
11 section which is applicable to such commodity at the time  
12 of sale or delivery, but such sale price may be below such  
13 maximum price or below the purchase price of such com-  
14 modity, and the Administrator may make recommendations  
15 with respect to the buying or selling, or storage or use, of  
16 any such commodity. In any case in which a commodity is  
17 domestically produced, the powers granted to the Adminis-  
18 trator by this subsection shall be exercised with respect to  
19 importations of such commodity only to the extent that, in  
20 the judgment of the Administrator, the domestic production  
21 of the commodity is not sufficient to satisfy the demand there-  
22 for: *Provided further*, That the Reconstruction Finance Cor-  
23 poration is authorized to borrow money and pay to shippers  
24 of commodities or others the increased costs of transportation  
25 resulting from the war emergency: *And provided further*,

1 That the Reconstruction Finance Corporation is authorized  
2 to borrow money and to pay subsidies relating to, or pur-  
3 chase for the purpose of selling at a loss, strategic and critical  
4 materials necessary to the manufacture of equipment and  
5 munitions of war for the United States Government or any  
6 of the United Nations, and to subsidize the high cost pro-  
7 duction of minerals to increase the production thereof.”



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## AMENDMENT

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Intended to be proposed by Mr. JOHNSON of Colorado to the amendment proposed by Mr. CLARK of Missouri to the bill (S. 1108) to continue, Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

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JUNE 24 (legislative day, MAY 24), 1943

Ordered to lie on the table and to be printed





78TH CONGRESS  
1ST SESSION

# S. 1108

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## IN THE SENATE OF THE UNITED STATES

JUNE 25 (legislative day, MAY 24), 1943  
Further modified and ordered to be printed

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## AMENDMENT

Proposed by Mr. CLARK of Missouri to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes, viz: In lieu of the language proposed to be inserted on page 5, line 16, and extending down to and including the word "purpose" in line 10, on page 6, insert the following:

- 1 That on and after the date of enactment of this Act no
- 2 authority shall be exercised by the Price Administrator,
- 3 the Federal Loan Administrator, or any other governmental
- 4 agency or corporation with respect to the making of any
- 5 subsidy payments under section 2 (c) of the Emergency



1 Price Control Act of 1942, as amended, and any authority  
2 contained in such section with respect to the making of  
3 subsidy payments is hereby repealed: *Provided*, That  
4 nothing in this Act shall be construed to affect in any man-  
5 ner the rights or interests of any person who has acted in  
6 good faith in reliance upon any regulation or order issued  
7 prior to the date of enactment of this Act with respect to  
8 such subsidy payments under the authority of such section  
9 2 (e), and to the extent necessary to protect the rights or  
10 interests of any such person in connection with transactions  
11 heretofore made or entered into such subsidy payments may  
12 be made: *Provided further*, That the Reconstruction Finance  
13 Corporation is authorized to borrow money and (a), through  
14 its subsidiary corporations, to pay to shippers of commodities  
15 or others the increased costs of transportation resulting from  
16 the war emergency and (b) to pay subsidies relating to, or  
17 purchase for the purpose of selling at a loss, strategic and  
18 critical materials necessary to the manufacture of equipment  
19 and munitions of war for the United States Government or  
20 any of the United Nations, and to subsidize the high cost  
21 production of minerals to increase the production thereof:  
22 *Provided further*, That in any case in which a commodity is  
23 domestically produced, the powers granted to the Recon-  
24 struction Finance Corporation by the foregoing proviso shall  
25 be exercised with respect to the importations of such commod-

1 ity only to the extent that, in the judgment of the Recon-  
2 struction Finance Corporation, the domestic production of  
3 the commodity is not sufficient to satisfy the demand therefor.

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## AMENDMENT

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Proposed by Mr. Clark of Missouri to the bill (S. 1108) to continue Commodity Credit Corporation as an agency of the United States, increase its borrowing power, revise the basis of the annual appraisal of its assets, and to provide for an audit by the General Accounting Office of the financial transactions of the Corporation, and for other purposes.

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JUNE 25 (legislative day, MAY 24), 1943

Further modified and ordered to be printed







Mr. JOHNSON of Oklahoma. I may say there are \$55,000,000 worth of worth-while projects in this bill, every dollar of which, in my judgment, would be a worth-while proposition in any kind of program, especially a post-war program; but this committee is unwilling to go along on \$55,000,000 added to the Senate in this bill simply because it may be desirable. I can think of some worth-while projects in my district and they have to do with the war effort. I have had telephone calls from my own State complaining bitterly about some of the items in this bill. They charge this committee with being "tight."

I am simply trying to do my duty as I see it toward the war effort. I have voted for every dollar for the war effort, but, as to other appropriations, we have to be a little more careful in trying to stay within the Budget estimates. That is not possible perhaps and the gentleman knows this is about the only item in this bill that the committee has indicated a willingness to go over the Budget estimate. I call on the members of my committee to say whether that is correct.

Mr. JENSEN. That is exactly correct.

Mr. MAGNUSON. If we were asking the gentleman to fight the Senate on this matter, that would be another story, but here is a majority of the House telling the gentleman what the Senate says is O. K. That ought to settle it all the quicker.

Mr. JOHNSON of Oklahoma. If the gentleman assumes this is a majority of the House, then the gentlemen is correct, but if the gentleman will remember, there was another item yesterday and I was told that 90 percent of the Members of the House were for it, but when the vote was taken the House stood by the committee 3 to 1 and I feel, perhaps, the House may do the same thing on this amendment.

Mr. KELLEY. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of Oklahoma. I yield to the gentleman from Pennsylvania.

Mr. KELLEY. The first estimate made to the gentleman's committee by the Bureau of Mines the gentleman said was \$150,000.

Mr. JOHNSON of Oklahoma. That is correct.

Mr. KELLEY. That was not to embrace all of the exploratory work that was to be done in the United States?

Mr. JOHNSON of Oklahoma. That is correct. There are other items in this bill, of course, for the Bureau of Mines to make investigations with reference to other strategic metals.

The SPEAKER. The time of the gentleman from Oklahoma has expired. All time has expired.

#### COMMODITY CREDIT CORPORATION

Mr. STEAGALL. Mr. Speaker, I move to suspend the rules and pass the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The Clerk read as follows:

Be it resolved, etc., That the first sentence of section 7 of the act approved January 31, 1935 (49 Stat. 4), as amended, is hereby

amended, as of June 30, 1943, by striking out "June 30, 1943" and inserting in lieu thereof "December 31, 1943."

Sec. 2. The first sentence of section 4 of the act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by striking out "\$2,650,000,000" and inserting in lieu thereof "\$3,150,000,000."

Sec. 3. The Federal Reserve banks are hereby authorized to act as depositaries, custodians, and fiscal agents for the Commodity Credit Corporation.

Sec. 4. Section 22 (g) of the Federal Reserve Act, as amended (12 U. S. C. 375a), is hereby amended by adding at the end thereof the following: "This subsection shall not apply to loans which the Commodity Credit Corporation has agreed to take over or purchase."

Sec. 5. Full reimbursement shall be made to the Commodity Credit Corporation for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of the Lend-Lease Administration, the Army or Navy, the Board of Economic Warfare, the Reconstruction Finance Corporation, or any other Government agency, from the appropriate funds of these agencies.

Mr. STEAGALL. Mr. Speaker, the Clerk has read an uncorrected copy of the joint resolution. I ask unanimous consent to modify the joint resolution by striking out "\$3,150,000,000" in line 8 and inserting in lieu thereof "\$3,000,000,000."

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

#### CALL OF THE HOUSE

Mr. SMITH of Ohio. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

#### [Roll No. 130]

Andrews	Harness, Ind.	Plumley
Barry	Hartley	Powers
Bradley, Mich.	Hébert	Pracht
Burch, Va.	Holifield	Robson, Ky.
Capozzoli	Izac	Rowe
Cochran	Johnson, Ward	Russell
Culkin	Kennedy	Shafer
Elmer	Kilburn	Sheridan
Fay	King	Simpson, Pa.
Fernandez	Lesinski	Slaughter
Fitzpatrick	Maloney	Smith, Va.
Ford	Mansfield, Tex.	Stevenson
Fulbright	Mason	Tolan
Fulmer	Merritt	Treadway
Furlong	Morrison, N. C.	Van Zandt
Gallagher	Murphy	Vinson, Ga.
Gifford	Nichols	West
Green	O'Brien, Ill.	
Gwynne	O'Hara	
Hall, Edwin	O'Leary	
Arthur	Phillips	

The SPEAKER. On this roll call 373 Members have answered to their names, a quorum.

By unanimous consent, further proceedings, under the call, were dispensed with.

#### COMMODITY CREDIT CORPORATION

The SPEAKER. Is a second demanded on the motion to suspend the rules and pass the joint resolution?

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. Mr. Speaker, this is a resolution to extend the life of the Commodity Credit Corporation to the 1st of January 1944. There is nothing in the joint resolution to which the Executive's objection was directed. There is no objection on the part of the Committee on Banking and Currency to the consideration of this proposed legislation. The provisions of this joint resolution represent the unanimous views of the Committee on Banking and Currency, with only one exception.

The amount of authorization of the Commodity Credit Corporation is increased \$350,000,000. It is \$150,000,000 less than was provided in the House bill. The amount was raised to \$1,000,000,000 in the Senate and the amount agreed upon in conference was \$750,000,000.

The resolution embraces two minor amendments to the Federal Reserve Act, as to which there is no objection whatever in the committee, and it is acceptable to the Federal Reserve officials.

Another provision of the resolution was taken from the original House bill and provides that any services rendered by the Commodity Credit Corporation to the Lend-Lease Administration or to other Government agencies shall be conducted without loss to the Commodity Credit Corporation, and that the Corporation shall be reimbursed for all funds expended, for the cost of administration and other expenses.

The resolution is a simple plan to take care of the situation that arises by reason of the action on the legislation which was dealt with this afternoon in connection with the message of the Chief Executive.

[Mr. WOLCOTT addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. SMITH of Ohio. Mr. Speaker, I want to make my position clear on this resolution to extend the life of the Commodity Credit Corporation without any restrictions whatever on the use of the funds appropriated to it for the payment of subsidies.

The whole program of subsidies is viciously inflationary. Every dollar used for the payment of subsidies is a dollar of inflation, for it represents just that much Government printed money. In proof of this, one needs but look at the enormous volume of dollars that is being created in the financing of Government costs through the deposit of Government securities in the banking system.

The effects of subsidies are deceptive. Outwardly they can give the appearance of holding the cost of living down. But this effect must inevitably be to raise prices, undermine the whole economy and drive our people into further regimentation.

I think it is a great mistake to rush this resolution through as is being done. Surely we could have taken enough time to at least try to write into this bill some restrictions on the payment of subsidies.



I too want to go home. I have a son who is about to leave for the service and am, therefore, very anxious to get home to be with him as much as possible before he leaves. But I consider this bill so very important that I am willing to forego this desire in just as great measure as possible in order to do what I believe to be my duty with respect to this bill.

This may well be a crumbling of the last line of defense against inflation, and I want the record to show that I have done all I possibly can to hold it.

I must vote against this resolution.

Mr. WOLCOTT. Mr. Speaker, I now yield to the gentleman from Oklahoma [Mr. RIZLEY].

[Mr. RIZLEY addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. WOLCOTT. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. SCOTT].

[Mr. SCOTT addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. WOLCOTT. Mr. Speaker, I yield now to the gentleman from Illinois, [Mr. CHURCH].

(By unanimous consent, Mr. CHURCH was granted leave to extend his remarks in the RECORD.)

Mr. CHURCH. Mr. Speaker, bureaucratic waste of manpower and money is legalized theft. For the last several days the Congress has been working feverishly to pass the various appropriation bills, carrying deficiency funds for the fiscal year that ended at midnight last Wednesday, June 30, and new funds to be expended in the ensuing fiscal year. While I do not wish to detain the House, I do not believe there will be a more appropriate time to consider the over-all picture of Federal receipts and expenditures. We have been so occupied with individual bills and individual items of appropriation that, understandably, we may fail to see the forest for the trees, so to speak.

Not all the appropriation bills having become law, and there having been so many changes, in the House, in the Senate and in conference committees, with respect to various items, it is impossible to say at the moment just how much money has been spent for the last fiscal year and how much has been appropriated for the ensuing fiscal year. We do know, however, that it is an astronomical sum, so large that I do not believe the Director of the Budget himself has a true mental grasp of the size, not even the distinguished chairman, the gentleman from Missouri [Mr. CANNON], of our overworked Committee on Appropriations.

We also know that the expenditures exceed the receipts. The financial record of the past fiscal year will probably show that the total receipts will be around \$21,000,000,000 and the expenditures close to \$76,000,000,000. In other words, in spite of the heavy tax burden on the people, less than 30 percent of the cost of the Federal Government is defrayed by current revenue. Most of the

expenditures come from borrowings, which themselves represent an additional charge.

The American people are faced with still further increases in their Federal taxes. They recognize that war is costly. They recognize that all must contribute in accordance with his ability for early and complete victory. As in the beginning of our Republic the signers of the Declaration of Independence courageously pledged their "lives, fortunes, and sacred honor" to freedom's cause, so today the American people pledge their all. There is not an American citizen, worthy of the name American, who is not willing to pay whatever taxes may be necessary to finance the war.

But, Mr. Speaker—and it is an important but—the American people have a right to insist that there be an elimination of waste, and they do insist. They insist that we, their representatives, eliminate all items of expenditure not essential. We cannot afford much more than that which can be clearly shown to be essential to the war effort. It is our duty to save every dollar that can be saved.

While some progress was made during these last several months for economies, there is indeed much to be done. For the first time in years there has been at least a beginning for eliminating non-essential spending. But it is only a beginning. In our consideration of the appropriation bills during these past few weeks it has been significant that many agencies and bureaus have resisted, in some instances successfully, the efforts of the House to eliminate them entirely or appreciably reduce their normal operations. They all claim activities essential to the war.

Whenever a so-called war agency requests a certain amount of money to carry on its work, we are naturally hesitant to deny that agency any part of the money it requests. There will be those who will accuse us of obstructing or hindering the war effort. We will be accused of "playing politics." However that may be, I am personally convinced that there should be a closer examination of the expenditures of the war agencies and that such examination will show many places where there can be a substantial saving of money, materials, time, and manpower. Surely it is recognized that an agency directly connected with the war effort and designed to serve a very useful purpose can become so large and so cumbersome that it proves to be a hindrance rather than a help.

The Joint Committee on Reduction of Nonessential Federal Expenditures, under the able chairmanship of the Senator from Virginia [Mr. BYRD] filed its report last month on the subject of "Federal personnel." I earnestly recommend a careful reading of this report by every Member of Congress. The facts presented in the report make it clear why those who have business to transact with the Federal Government find it so difficult to locate the party in authority and why there are so many Government employees who, upon the occasion of our visits to departments and agencies, seem to have so little to do.

On November 11, 1918, when the armistice of World War No. 1 was declared, the number of employees in the executive branch of the Government was 917,760. In April of this year the number was 3,008,519. I cannot believe, I simply do not believe, that there is such a great difference between this war and the last war that almost 4 times as many civilian employees are necessary in the executive branch of the Government. In the last war the ratio was 1 civilian Government employee to every 5 soldiers, but in this war the ratio is 1 to every 2½ soldiers.

Mr. Speaker, if the expansion of Federal employees continues as it has over the past year and a half, it will be no gross exaggeration to say that before the end of the war there will be more civilian Government employees than soldiers. It is an alarming situation, particularly considering the fact that workers are needed for the farms, in the factories and in so many occupations absolutely essential for the successful functioning of our national economic life.

The monthly pay roll of the executive branch of the Government approximates \$600,000,000. In 1 year the American people pay over \$7,000,000,000 in salaries alone to people serving in a civilian capacity in the various departments and agencies.

The more I think about these startling facts the deeper becomes my personal conviction that it would be a distinct contribution for early victory if a substantial number of these employees were removed from the Federal pay roll. Not only would it represent a saving in dollars; not only would it represent a saving in manpower; it would also serve to remove some of the duplications and red-tape now hindering the entire war effort.

To be a bit facetious, it would perhaps be helpful if instead of the standing Committee on Disposition of Executive Papers we substituted a standing Committee on Disposition of Useless Executive Employees. I can assure you that the new committee would have considerably more work than the existing committee, with due respect to its distinguished members.

Some of you may recall that during my previous service in the House I protested on several occasions on this floor against the tendency of Federal employees to make extensive trips at Government expense, ostensibly on official business, but, in my judgment, for purely personal pleasure. I have also protested against abuses of the franking privilege. It is more or less characteristic of a bureaucrat not to have any concern whatsoever about expenses. We are today confronted with one of the largest, one of the most expensive, one of the most wasteful, and one of the most dangerous bureaucracies the world has ever seen.

Excluding the War and Navy Departments, the travel and communication expenditures of the executive branch for this past fiscal year has been estimated as exceeding \$100,000,000. The average citizen finds it difficult to obtain train accommodations. He has been asked to refrain from traveling and is glad to do



so, with the knowledge that in time of war our soldiers must and should have preference. The average citizen has also been asked not to make long-distance calls unless absolutely necessary. He has willingly responded to the appeal.

I shall not take the time of the House with details, but it is very significant that there have been increases in train expenses, telephone calls, airplane accommodations, telegrams, mail, and so forth, in agencies which are engaged in work strictly of a nonmilitary character and which, in many respects, have a very remote connection with the war itself.

There is one other feature of the existing Federal bureaucracy to which I should like to direct your attention, where not only can economies be realized but a real hindrance to the war effort removed. I refer to the numerous reports and questionnaires which the various agencies submit to businessmen, who are endeavoring to produce as rapidly as possible the materials needed by our armed forces and who are faced with a shortage of manpower. Literally thousands of men are diverted from their war production work to answering questionnaires which serve no useful purpose, except perhaps to satisfy the curiosity of some bureaucrat or perhaps to find something to keep himself occupied.

The Byrd committee report of last February shows that a total of 7,025 separate reports and questionnaires were required by 48 agencies to be answered, and this figure does not include the requests for further information that may be sent out by letter. The inquiry into this matter has brought to light some interesting data.

One corporation has stated that it costs them approximately \$90,000 a year just to file the Federal reports requested of them. The Eastman Kodak Co. employs 84 persons, 3,224 hours a week, to complete 409 reports for each quarter. And there is the amusing but pathetic case of a farmer who had to fill out a two-page report to get a pair of rubber boots. He was informed that if he lost the boots he was subject to a \$10,000 fine or 10 years' imprisonment.

Mr. Speaker, the waste of time, money, and manpower in connection with needless Government reports and questionnaires is in itself enormous, not to speak of the burden it places on American business. Many companies have been obliged to hire personnel to do nothing more than try to answer the reports and questionnaires they receive from Washington. The questionnaires themselves are so technical and so complicated that I seriously doubt that the people who prepared the form really knew what information they wanted. They only knew they wanted to ask some questions and they thought it would add to the importance of the questions they suspected as being of some value to someone sometime if they couched them in the most involved language.

All this is bureaucracy, Mr. Speaker, but it isn't all that could and should be said. The people are ready to bear the burden of the cost of war. They will do everything, anything. But they are not willing to have their money wasted.

It amounts to legalized theft. Unless we deal with this problem courageously and promptly, while we win the war abroad we may lose our freedom here at home to a bureaucratic government.

Mr. WOLCOTT. Mr. Speaker, I yield now to the gentleman from Michigan [Mr. ENGEL].

Mr. ENGEL. Mr. Speaker, I ask unanimous consent to insert in the Record at the conclusion of this bill now under consideration, my remarks on the profits of corporations in war industry.

The SPEAKER. Is there objection?

There was no objection.

Mr. WOLCOTT. Mr. Speaker, I yield now to the gentleman from South Dakota [Mr. MUNDT].

Mr. MUNDT. Mr. Speaker, shifting the grocery bills of civilians earning high wages to the shoulders of the soldiers who are fighting this war does not look like a wise policy. In my opinion, it is not in keeping with American ideals and traditions. I sincerely regret that President Roosevelt has insisted by his veto message of a few hours ago that this country be put in position of having to pay for its everyday food bills out of the pockets of tomorrow's taxpayers who, as we all well realize, will be largely the self-same men and women who are today serving the colors of the United States in the armed services on every sea and continent. I predict, Mr. Speaker, that President Roosevelt will find that the percentage of civilians who desire to mooch their food from the taxes of future taxpayers is gratifyingly small and that his scheme of deferring until some future date the pay day for meeting today's living costs will not prove to be any more popular than it is equitable or sound.

Mr. Speaker, American citizens have found out that the New Deal Santa Claus has an unpleasant but inevitable habit of calling back with due bills for the gilded presents which he leaves on the doorsteps of the people. Even the good and the faithful who have rewarded this policy of synthetic largess by voting for a third term for the man who promoted it are beginning to look with suspicion on the theory that you should never pay today anything which can be put off until tomorrow. Of all New Deal schemes to deceive the people into thinking they are getting something for nothing this proposed program of price roll-backs coupled with cash subsidies is the most shallow and shocking since it in actuality commits the servicemen fighting for \$50 a month to pay part of the household expenses of the war worker earning in excess of \$500 per month in many cases. It is the same principle as putting a tax on the chauffeur's beer to help buy champagne for the owner of the automobile.

Of course, Mr. Speaker, since the President has vetoed the legislation, and since it is necessary to extend the Commodity Credit Corporation at this time, we must now vote for the committee recommendation for a 6 months' extension of this act, and it would be futile to write in the same prohibitions against subsidies which the President has just today vetoed. We must bow to the inevitable. It

is stimulating, however, to realize that a vast majority of this House has just voted to override that Presidential veto, and while the veto was sustained by a small margin, it is encouraging to know that Congress as a whole remains opposed to this program of mortgaging the future in order to revel in the present. Had just a few more Democratic Members of this House manifested the courage just demonstrated by some of them in refusing to yield to Presidential pressure and patronage we would have overridden this veto which not only is grossly unfair to American servicemen and to future generations, but which is likewise unjust to the farmers and producers of this Republic. It is indeed unfortunate that the political pressure of a few vociferous leaders of eastern labor unions, and the urging of Mayor LaGuardia, of New York City, should shackle upon this country a proposal as unsound and as unsavory as the food-subsidy program which the President will now be able to promote despite the emphatic and repeated opposition of the vast majority of Congress. We may get some hope from the fact that the emergency extension we are about to vote provides only 25 percent of the funds carried in the original 2-year extension and that Congress at the end of this year will again have an opportunity to reflect the people's wishes in this matter.

May I add the hope, Mr. Speaker, that the Senate which will get this legislation tomorrow may in its wisdom place some limitations upon the percentage of these funds which can be frittered away in this grandiose experiment of food subsidization? Unless this is done, either other far more important services of the Commodity Credit Corporation may be curtailed or else commitments may be made which will force Congress to pass a deficiency appropriation to pay obligations incurred by the Government. I expect to discuss this suggestion with several Senators tonight and I sincerely hope that something along the lines of my suggestion may finally be incorporated in this legislation.

Somebody must pay for the food we eat. Is it to be the people who eat it, in true American style, or is it to be future taxpayers who must then shoulder the burden of our grocery bills in addition to their own costs of living and the carrying and amortization charges of a national debt which threatens to approximate \$300,000,000,000? Congress has said, "The lease we can do is to pay for our own grocery bills." The President has said, in substance, "Eat, drink, and be merry, for tomorrow is far away and others must then pay the bills." Mr. Speaker, that is the issue bluntly put. Either we pay or others must. The President has even refused to accept the compromise proposed by Senator ARKEN of Vermont whereby something akin to the stamp plan would be provided so that those whose incomes have not risen during the war would have their costs of living adjusted accordingly. Under the President's program the favored laborer in the shipyards earning \$150 per week will receive the same benefits as the white collar worker or the laborer in



civilian circles whose incomes may have received no substantial increases. The President's proposal will provide manna for the profligate wastrel as handsomely as for the poor widow. It is a give-away scheme for rich and poor alike, for the just and the unjust, for the rich and the needy, and it gayly ignores the realistic fact that what is given away today must be added to the already alarming tax burdens confronting those who must pay it all back tomorrow.

One more word and I am through, Mr. Speaker. I listened attentively to every word of the President's veto message. It was long on vote appeal and short on economics. As a fourth-term lure it may have had merit, but as a fact-tallying message it was disappointing. Most surprising of all, however, was its condemnation of the very inflationary spirals which it creates. The excess purchasing power which the food-subsidy program keeps from being drained off for the necessities of life will be spent for non-essentials, thus adding to the inflationary trends. It increases the already staggering national debt and excessive national debt is the mother of inflation. It means that bonds purchased to buy bombers must be used to pay butter subsidies instead. It helps create a tidal wave of extra private purchasing power which will press harder against the flood-gates now shaking from the push of inflationary movements. It means that while we have pay-as-you-go taxation we have eat-and-postpone-paying household economics; this may enable us to buy enough aspirin today to pay for the headaches of tomorrow but it is far from a sound approach to anything seeking to prevent future disasters. The President's veto message indicates he believes these price roll-backs and food subsidies will eliminate the necessity of any further wage increases, that they will provide parity prices for producers, that they will equalize the costs of living between workers enjoying huge wage increases and those receiving none, and that they will prevent inflation. It will indeed be interesting, Mr. Speaker, to watch developments between now and December 31 to see how nearly the President has gaged the future and now that he has the program upon which he has insisted the country has a right to expect that he will produce the results which have been promised.

Mr. WOLCOTT. Mr. Speaker, I yield 2½ minutes to the gentleman from Pennsylvania [Mr. GROSS].

Mr. GROSS. Mr. Speaker, I want to read a letter from a farmer in my district written to the Gazette and Daily Newspaper of York, Pa., which ought to furnish some light and information to this House. It is headed "An Answer" and states:

AN ANSWER

EDITOR THE GAZETTE AND DAILY:

It's easy to see that pigheadedness and stubborn stupidity are not confined only to Congress.

It seems as if some of our private citizens have just a little more than their fair share of it.

It certainly does not hurt the morale of the farmers a bit to have someone to stand up for us once in awhile, like Senator GEORGE

did. It makes us feel as if we have not been entirely deserted.

As far as subsidy payments are concerned, we would not accept such bribes anyway, even if Congress would try to impose them upon us.

When we bought our farm we bought it so we would have a way to work and earn an honest living, not just so we would have an excuse to live off of the Government, which, by the way, is supposed to be the servant of the people and must be financed by the people.

In plain words, those subsidy payments would have to be paid to the Government by the people in the form of higher taxes, so why not give the farmers a square deal once? Let them get fair prices for their crops and save the people the cost of administering such a program?

As for inflation, why didn't they think about that when the national debt was jumping from 16 billion to 65 billion dollars in 9 years of peace times? Why don't they worry about inflation when the labor racketeers are yelling for more pay? How did labor live through the last war, when they were not getting paid as much as they are now and the farmers were getting \$3 a bushel for wheat? You holler about production of food. How could the people be damned to starvation by overproduction of food when they have more money to buy it with now than they ever had? I haven't heard anyone complain as much about food prices as the fact that they couldn't get a lot of things.

Just try to imagine what shape our country would be in now if all of us farmers would have listened to the preachings of the agents of destruction who tried to make us destroy our crops and produce less. Gives you an empty feeling under the short ribs, doesn't it?

So you don't like Congress, eh? Well, just you march ahead toward dictatorship, if you want to. We farmers will not be with you.

WALTER I. KUNKLE.

DOVER, PA., June 28, 1943.

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. WOLCOTT. Mr. Speaker, I yield such time as he may desire to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Speaker, earlier in the day we were not able to muster a sufficient number of votes to pass this bill, the Commodity Credit Corporation extension bill, over the President's veto, notwithstanding a very substantial majority of this body has indicated its disapproval and disrespect for the President's roll-back subsidy program.

(Mr. GEARHART asked and was given permission to revise and extend his remarks.)

Mr. WOLCOTT. Mr. Speaker, I yield the balance of the time to the gentleman from Wisconsin [Mr. MURRAY].

(Mr. MURRAY of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. MURRAY of Wisconsin. Mr. Speaker, I have asked for this time for the purpose of assuring each of my colleagues that I have made every effort to try to furnish the food to win this war. We still hear about price instead of production. We need a "prince of production" to furnish this food. No "prince of scarcity" will ever accomplish the task. If in their wisdom the Members of this body want to put into effect a program

that is going to hurt the war-food program, it will be their own responsibility. We are taking the recommendation of the people who want to roll the prices back from the same point at which they were placed by the same people who want to roll them back. In a few months time, I am sure, there are going to be a lot of people in this country who will say, "I thought that they had rolled prices back." Or "Where is the food to roll back the prices on?"

They talk about feeding the people of occupied countries and those in the war zones under lend-lease, upon milk solids. The only way you can get milk solids is as a by-product of butter fat, and in order to get enough of it and meet the requirements of lend-lease is to stimulate milk production. We need four times the amount of milk solids we are now producing. Yet we are faced with a butter roll-back that will provide less milk solids.

When we are not able to obtain enough milk solids, they are willing to take a chance of rolling back the price of butter, sabotage the whole war food program in order to meet the demands of a few groups.

Here is an industry, the dairy industry, that represents 20 percent of the Nation's farm income. The only time we hear anything about inflation is when the low-income groups are being considered, or when the American farmer is in the picture. This administration provided \$700,000,000 to one and one-half million Federal employees who are receiving anywhere from \$2,900 to \$12,000 a year. You did not hear a word about inflation from Mr. Byrnes, Br. Brown, or any other of the Government economists when that group was being considered and it is pretty hard to figure out the distinction. We roll back one group of producers obtaining less than 40 cents per hour, and help pay the grocery bill for people getting \$1 an hour to thousands a year. Remember there are no calories in a roll-back.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Mr. Speaker, the gentleman from Wisconsin is one of the fairest-minded men I have ever heard discuss any public question and I would like to ask him if we have not, by congressional action, directed the President to try to keep prices at the September 1942 level?

Mr. MURRAY of Wisconsin. By what authority or legislation?

Mr. McCORMACK. By the act of Congress in October.

Mr. WOLCOTT. Mr. Speaker, will the gentleman permit me to answer that question?

Mr. MURRAY of Wisconsin. No; I want to answer the gentleman's question if I may. There has been no mandate from Congress by legislation to do this.

The SPEAKER. The time of the gentleman from Wisconsin has expired.

Mr. STEAGALL. Mr. Speaker, I yield such time as he may require to the gen-



tleman from Pennsylvania [Mr. BRADLEY].

Mr. BRADLEY of Pennsylvania. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein an editorial from the Philadelphia Record of July 2, 1943.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. BRADLEY of Pennsylvania. Mr. Speaker, the parade of our Republican colleagues to the well of the House in their futile efforts to reply to the great message which accompanied the President's veto of the Commodity Credit Corporation legislation, demonstrates how devastatingly the Chief Executive disposed of the contentions of those who seek to sabotage the administration's program to effectively control the cost of living and prevent runaway inflation. It will take more than their feeble speeches to answer the indictment contained in the President's message insofar as the thoughts of the American consumer are concerned.

Under the unanimous consent I have received, I am including in my remarks an editorial published in today's Philadelphia Record, which sets forth in plain language what millions of American citizens are thinking regarding the failure of Congress to meet its responsibilities to the American people;

CONGRESS ON ITS RAMPAGE IS HITLER'S COLLABORATOR

Secretary of the Interior Harold Ickes has made a powerful appeal to striking miners to return to work.

He declared that on the eve of the greatest military campaign in history, "every muscle, every sinew, every ounce of blood and guts that we have must be pledged to a single purpose."

Somebody ought to make a speech like that to Congress.

For Congress, in effect, is on strike against the war effort.

It is sabotaging the home front just as surely as the man who makes faulty shell casings is sabotaging the fighting front.

Everywhere the military forces of the United States and our allies are on the march, forward.

We are smashing ahead in a two-pronged drive in the southwest Pacific. We are laying waste German factories by air in Europe.

But Congress is heading the home front for a retreat that may completely smash our domestic economy.

That rout must be halted where it started, in Congress. Or thousands of lives will be sacrificed as the war is dragged on by collapse of the production front at home.

Action of Congress to forbid use of subsidies to reduce retail food prices combined the worst features of a strike and absenteeism.

Vote in the House against the subsidy program, backed by the War Labor Board as well as the President, was 160 to 32—showing absenteeism of about 60 percent. Vote in the Senate was 62 to 13—showing absenteeism of about one-third.

By this action, Congress was shouting "No" in a vacuum. It has no plan of its own, save appointment of a food czar who could only carry out the "no, no, no" policies of Congress itself.

Wall Street knows what this action of Congress means. You don't fool Wall Street very often. Commodity prices soared yesterday because traders knew Congress was out to wreck the administration's program to con-

trol inflation. Oats went up to a 23-year peak. Cotton was up 85 cents a bale, wheat was up nearly 2 cents a bushel.

The smart boys in Wall Street know what happens to the consumer when food prices rise. Traders can make money in an inflationary period; the consumer is sure to lose.

There are some sound, honest men in Congress, but they seem today to be a pitiful minority. The majority of both Houses is on the loose, gambling for political gains at the expense of the war. Killing of subsidies is only one example.

Congress has slashed the appropriation for the Office of War Information, passed the Smith-Connally antistrike bill over the President's veto, hamstringing the administration's food plans by attacking the Farm Security Administration. Because of congressional delay a dozen vital war agencies were left at the end of the fiscal year yesterday without a cent of emergency funds.

An unholy alliance of reactionary Republicans and anti-Roosevelt Democrats, bell-wethered by the McCormick-Patterson press is out to "get" the President. It may get him, politically. But by doing so, it will wreck the home front, perhaps delay victory for years.

Congress may think it can enjoy the luxury of obstructionist opposition because victory is almost won. Military leaders know better.

Lieutenant General Somervell, commanding the Army Service Forces, has just warned that a lag in production of equipment urgently needed by the Army threatens the whole strategy and tactical plans of the war.

We are now so short of weapons and matériel, he said, that we have been forced to take some of the equipment being used to train our Army in this country and send it abroad for combat use. Earlier, Assistant Secretary of War Patterson reported that production for the Army ground forces in May, scheduled to rise 2 percent, actually declined 3½ percent.

May was the month when Congress was beginning its attacks on the subsidy plan and laying the ground work for its attack on labor.

Hitler and Goebbels have long boasted that this country, under the stress of war, would fall apart internally.

Congress, by opening the gates on inflation, by its blind opposition to anything the President proposes, is doing its best to make our enemy's predictions come true.

Congress must call off its strike against the war. It must get behind the President and vote for victory.

The SPEAKER. The question is, Will the House suspend the rules and pass the resolution?

The question was taken; and, two-thirds having voted in the affirmative, the rules were suspended and the resolution was passed.

A motion to reconsider was laid on the table.

Mr. ENGEL. Mr. Speaker, on Tuesday, June 29, I discussed excess labor costs on war production. Today, I want to discuss excess corporation profits on war-production contracts. Before I do so, I would like to repeat what I said in my remarks of last Tuesday:

I believe in the capitalistic form of government. I believe in the profits system. I believe that a corporation or an individual engaged in any type of business, whether public or private, is entitled to a reasonable profit, including an amount set aside as a surplus to act as a cushion against another depression and reconversion to peacetime industry. I do not believe that any company or individual is entitled to excess profits on an investment. No corporation nor individual should be permitted to take a 20 percent profit on an investment when that profit

is paid for by taxpayers whose tax exemptions have been lowered as low as \$500 and bond buyers who are receiving a low interest rate on the money they are lending to their Government for wartime expenses.

If there is any one thing that will give state socialism or communism a foothold in this country, it is the abuse of the profits system by those corporate or individual interests who are in the minority and who wring excess war profits from the toil and sweat of the worker, whether that worker is in a job where he is being paid a comparatively unjust wage or whether he takes the role of a taxpayer with a low exemption or a bond buyer lending his hard-earned money to the Government at a low rate of interest. If there is any one thing that will set the returning soldier against his Government it is excess profits paid to corporations or individuals on invested capital and excess wages paid to labor while he, the soldier, was compelled to accept a mere pittance for the services he rendered to his country.

If there is any one thing that will set the worker against his Government it is being frozen at a wage which is so low as to be incompatible with the rising cost of living while his fellow worker, doing the same type of work, is receiving an excess wage which cannot be justified on any ground. The returned serviceman and the low-paid worker knows that when the war is over he must toil and sweat the rest of his life to pay a tax on his diminishing income so his Government can pay the principal and interest on the bonds issued, to pay such excess corporation, or individual profits and such excess labor costs. Millions of workers who have worked and toiled faithfully for a fair wage and thousands of businessmen and millions of stockholders who have taken a small, if any, profit will be penalized and will have to pay for the greed of those in the ranks of both labor and industry who have in some way been successful in wringing excessive war profits from the taxpayers through their Government. I repeat, if socialism or communism gets a foothold in this country, it is because of these wartime profiteers in the ranks of both labor and industry.

SUMMARY OF OVER-ALL PICTURE OF COMPANIES WHOSE PLANTS I VISITED

Factory pay rolls of the companies whose plants I visited and whose reports I was able to obtain, including General Motors, Ford, Chrysler and General Electric, but excluding Government arsenals, show an aggregated pay roll for the calendar year of 1942 of \$2,316,041,747. The total number of employees working in these plants aggregated 850,522. The annual average earning, per employee, for the calendar year of 1942 was \$2,725. The total number of hours worked for the calendar year was 1,706,484,931 while the average amount paid for each hour was \$1.35. While factories were on a 48-hour basis, lay-offs, because of lack of material, absenteeism, sick leave, vacation leave and other causes brought the actual number of hours worked down to an average of 38.6 hours per week for the year.



## SPOT CHECK ON CORPORATION PROFITS

In the discussion of this problem, may I say again that to the extent to which a corporation, or individual, is engaged in war production, to that extent the corporate or individual pay roll is a public pay roll and the profits statement is a statement to which the public is entitled to see because that pay roll and those profits are paid for by the taxpayer and the bond buyer.

Mr. Speaker, I am placing into the Record, as Exhibit A, a study I made of 48 corporations who are engaged in war production. In addition to the name of the corporation, this table gives the following information on corporation earnings for the years 1941 and 1942: First, income and excess-profits taxes paid; second, depreciation deducted; third, net income after taxes; fourth, the earnings per share of common stock after taxes; fifth, the market value per share of common stock; sixth, the earnings after taxes per \$1 market value of common stock in terms of percentages.

The market value for 1941 was taken from the stock market report of January 16, 1942, and the market value for 1942 was taken from the stock market report of January 16, 1943. All stock reports were taken from the New York Times.

In making a study of these earnings and particularly in the returns on market values, one must take into consideration the fact that the 1942 earnings helped to increase the market value of that same stock in 1943. In other words, while there may not have been any increase in the physical value of the corporation profits there was an increase in the market value of the stock. The New York Times report on averages on 50 stocks show that such stock sold for an average of \$77.10 on January 16, 1942, and \$84.17 on January 8, 1943, or an increase in the market value of the stock in 1943 over 1942 of 9.17 percent.

While I visited some of the companies whose figures I am giving in this table, the information in the table was taken from information on file in the Congressional Library and not from information which the companies furnished me. I have similar information on these same companies for 1939 and 1940.

## TAXES AS A PART OF PRODUCTION COSTS

These 48 companies who were engaged primarily in war production paid during 1941 and 1942, \$2,766,559,000 in Federal income and excess-profits taxes, not including social security or unemployment taxes. Taxes, of course, are figured in as an item in the cost of production. In view of the fact that these companies were practically 100 percent on war production, the fact is that these companies first collected this amount of tax from the Government as a part of the money back into the Treasury as taxes. Nevertheless, it is a cost item of production. It is only when one takes into consideration the fact that here we have 48 corporations paying in 2 years nearly \$3,000,000,000 in taxes and the further fact that there are literally thousands of companies in war production paying similar taxes that we can begin to

appreciate the increased war costs due to taxes. What happens is that the Government pays these sums out of the Treasury as war costs and then they are paid back into the Treasury as taxes.

The above figures do not include millions of dollars paid by these companies for social security, unemployment-insurance taxes, State corporation and real-estate taxes and other taxes which likewise come out of the Federal Treasury in the cost of production but, of course, do not come back into the Federal Treasury.

## DEPRECIATION

These 48 corporations charged off during the years 1941 and 1942 \$769,049,000 in depreciation.

## NET INCOME

The study shows that the net income, after taxes, of these 48 corporations for the year 1941 was \$872,378,000 and for 1942 was \$705,206,000 or a total of \$1,577,584,000 after taxes, for this 2-year period.

So we find that taxes, depreciation, and net earnings for these 48 corporations aggregated a total for 1941 and 1942 of \$5,113,192,000.

In view of the fact that there are some 300,000 contracts and subcontracts held by thousands of corporations and business concerns, large and small, we can appreciate that taxes, depreciation, and earnings constitute a tremendous sum in trying to break down the total war-production cost.

## INDIVIDUAL EARNINGS OF CORPORATIONS

In studying this table one finds the following information of interest. The net percentage earned after taxes per dollar market value of the stock of the 48 corporations was as follows:

In 1941, 1 earned less than 5 percent; 7 earned from 5 to 10 percent; 18 earned from 10 to 15 percent; 6 earned from 15 to 20 percent; 2 earned from 20 to 25 percent; 5 earned from 25 to 30 percent; 3 earned from 30 to 35 percent; 3 earned from 35 to 40 percent; 3 earned from 40 to 53.21 percent.

In 1942, 4 earned 5 percent or less; 16 earned from 5 to 10 percent; 10 earned from 10 to 15 percent; 6 earned from 15 to 20 percent; 5 earned from 20 to 25 percent; 1 earned from 25 to 30 percent; 1 earned from 30 to 35 percent; 1 earned from 35 to 40 percent; 3 earned from 40 to 53.88 percent; 1, no report for 1942.

This study further shows that in 1941 that of the 48 corporations surveyed, 8 earned less than 10 percent; 24 earned from 10 to 20 percent; 16 earned from 20 to 53.21 percent.

In 1942, 20 earned less than 10 percent; 16 earned from 10 to 20 percent; 11 earned from 20 to 53.88 percent; 1, no report for 1942.

These are nearly all large- or medium-sized corporations whose stock is quoted on the stock market. It gives one a birds-eye picture of the profits taken by this class of corporation.

## GOVERNMENT-FINANCED CORPORATIONS

There is another type of corporation which takes excessive profits far in excess of those taken by the 48 corporations named in the table. It is the type

of a corporation which has a small, in fact an extremely small, capital stock and paid in surplus but whose principal capital was or is being furnished by the Government either direct or through the Defense Plant Corporation. We find these corporations earning a profit on a large Government capital but distributing that profit to a small group of stockholders who have very little capital invested. Jack & Heintz, Inc., gives a good illustration of this type of corporation. The following is their set-up.

## JACK &amp; HEINTZ, INC.

This company was organized in November 1940 with a capital stock structure consisting of 100 shares no-par stock for which four stockholders paid in \$5 per share. They also paid in \$99,500 in surplus. Thus we have four individual stockholders who have paid in \$100,000 in capital and surplus.

The total cost of defense plants, machinery, and equipment furnished by the Defense Plant Corporation as of October 31, 1942, was \$7,477,100. Earnings for the calendar year of 1941, before taxes, were \$932,024 and after taxes \$289,089. Earnings for the year 1942 before taxes were \$7,740,829 and after taxes \$1,740,829. The earnings before taxes were 7,740 percent of the capital stock and paid-in surplus and after taxes 1,740 percent of the capital stock and paid-in surplus.

Thus in 1942, after setting aside \$173,680 for depreciation and obsolescence; after paying the three top officers \$116,645 each; after giving a Christmas bonus of \$944,300; after paying wages that, according to their statement, averaged an annual rate of \$5,172 per employee, as shown in my statement to the House on Tuesday, and after paying \$6,000,000 in income and excess-profits taxes, this company showed a total 1942 earning of \$1,740,839 on an invested capital and paid-in surplus of \$100,000. The total pay roll for 1942 was \$3,886,000 while the annual sales for the year were \$23,661,000. This company has an exceptionally good production and low-cost record.

## GOVERNMENT-FINANCED CORPORATION PLUS MANAGEMENT FEES SPELL EXCESS PROFITS

Another class of corporations are those which, like the preceding case, have an extremely small paid-in capital and paid-in surplus; have practically no property nor capital of their own to start with; whose capital is furnished by the Government through the Defense Plant Corporation or otherwise, but who take not only an excessive profit on their small capital investment but take in addition a management fee which adds to the cost and excess profits. The following is an illustration of a class of corporations which combines these two features, that is, capital furnished by the Government plus management fees paid to the owners of the company through another corporation:

## THE HIGH STANDARDS MANUFACTURING CO., INC.

This company was organized in 1926. The amount of capital stock issued and outstanding is 5,000 shares of a par value of \$5 per share, or \$25,000. Approximately 4,700 shares are owned by one







78TH CONGRESS  
1ST SESSION

# H. J. RES. 147

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IN THE SENATE OF THE UNITED STATES

JULY 3 (legislative day, MAY 24), 1943

Read twice and referred to the Committee on Banking and Currency

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## JOINT RESOLUTION

To continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

1       *Resolved by the Senate and House of Representatives*  
2       *of the United States of America in Congress assembled,*  
3       That the first sentence of section 7 of the Act approved  
4       January 31, 1935 (49 Stat. 4), as amended, is hereby  
5       amended, as of June 30, 1943, by striking out "June 30,  
6       1943" and inserting in lieu thereof "December 31, 1943".

7       SEC. 2. The first sentence of section 4 of the Act ap-  
8       proved March 8, 1938 (52 Stat. 108), as amended, is  
9       hereby amended by striking out "\$2,650,000,000" and in-  
10      serting in lieu thereof "\$3,000,000,000".

1        SEC. 3. The Federal Reserve banks are hereby author-  
2 ized to act as depositaries, custodians, and fiscal agents for  
3 the Commodity Credit Corporation.

4        SEC. 4. Section 22 (g) of the Federal Reserve Act, as  
5 amended (12 U. S. C. 375a), is hereby amended by adding  
6 at the end thereof the following: "This subsection shall not  
7 apply to loans which the Commodity Credit Corporation has  
8 agreed to take over or purchase."

9        SEC. 5. Full reimbursement shall be made to the Com-  
10 modity Credit Corporation for services performed, losses  
11 sustained, operating costs incurred, or commodities purchased  
12 or delivered to or on behalf of the Lend-Lease Adminis-  
13 tration, the Army or Navy, the Board of Economic War-  
14 fare, the Reconstruction Finance Corporation, or any other  
15 Government agency, from the appropriate funds of these  
16 agencies.

Passed the House of Representatives July 2, 1943.

Attest:

SOUTH TRIMBLE,

*Clerk.*





78TH CONGRESS  
1ST SESSION

H. J. RES. 147

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## JOINT RESOLUTION

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To continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

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JULY 3 (legislative day, MAY 24), 1943

Read twice and referred to the Committee on  
Banking and Currency

78TH CONGRESS  
1ST SESSION

# H. J. RES. 147

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IN THE SENATE OF THE UNITED STATES

JULY 3 (legislative day, MAY 24), 1943

Referred to the Committee on Banking and Currency and ordered to be printed

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## AMENDMENT

Intended to be proposed by Mr. O'MAHONEY (for himself and Mr. BUTLER) to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, viz: At the appropriate place insert the following:

1        SEC. 6. (a) The authority conferred by section 2 (e)  
2 of the Emergency Price Control Act of 1942, as amended,  
3 and by all other provisions of law to make subsidy payments  
4 with respect to food and to purchase food for the purpose of  
5 sale at a loss shall, after the date of the enactment of this Act,  
6 be exercised only with the approval of the War Food Ad-  
7 ministrator and only in such manner and upon such terms and

1 conditions as he determines to be necessary to obtain the  
2 necessary maximum production or utilization of food for the  
3 armed services, for essential civilian needs, for carrying out  
4 the purposes of the Act of March 11, 1941, and for war-relief  
5 purposes: *Provided*, That such subsidy payments shall be  
6 made only to, and such purchases shall be made only from  
7 producers of the commodity from which such food is derived:  
8 *Provided further*, That, until the President recommends and  
9 the Congress approves a larger amount, the aggregate cost  
10 of such subsidy operations shall not exceed \$175,000,000.

11 (b) The provisions of subsection (a) hereof shall  
12 not affect in any way (1) the carrying out of subsidy  
13 programs which have been announced or subsidy commit-  
14 ments which have been made prior to July 1, 1943, except  
15 roll-back programs with respect to milk and livestock and  
16 their products, which may not be continued beyond July  
17 31, 1943; (2) the making of such adjustments in the  
18 maximum prices for competitive domestic fats and vegetable  
19 oils and oil seeds, and the carrying out of such subsidy  
20 operations in connection therewith, as may be necessary  
21 to bring about or maintain adequate production or utilization  
22 for the war effort; (3) the selling of wheat for feeding  
23 purposes, if sold at not less than the parity price of corn,  
24 as otherwise provided by law; (4) the payment to shippers  
25 of commodities or others of increased costs, resulting from

1 the war emergency, in connection with the transportation  
2 of any commodity; and (5) programs or operations under-  
3 taken with respect to commodities produced outside the  
4 continental United States.



78th CONGRESS  
1st Session

## H. J. RES. 147

### AMENDMENT

Intended to be proposed by Mr. O'MAHONEY  
(for himself and Mr. BUTLER) to the joint  
resolution (H. J. Res. 147) to continue the  
Commodity Credit Corporation as an  
agency of the United States, to increase its  
borrowing power, and for other purposes.

JULY 3 (legislative day, MAY 24), 1943  
Referred to the Committee on Banking and Currency  
and ordered to be printed

CONTINUATION OF THE COMMODITY CREDIT  
CORPORATION*July*  
~~JUNE~~ 3 (legislative day, MAY 24), 1943.—Ordered to be printed

Mr. WAGNER (for himself and Mr. TAFT), from the Committee on Banking and Currency, submitted the following

## REPORT

[To accompany H. J. Res. 147]

The Committee on Banking and Currency, to whom was referred the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the joint resolution as amended do pass.

## STATEMENT

The first section of the joint resolution, as reported, continues the Commodity Credit Corporation as an agency of the United States to January 1, 1944.

Section 2 of the joint resolution, as reported, increases the borrowing power of the Commodity Credit Corporation from \$2,650,000,000 to \$3,000,000,000.

Section 3 of the joint resolution, as reported, authorizes the Federal Reserve banks to act as depositories, custodians, and fiscal agents for the Commodity Credit Corporation.

The first three sections above referred to are the same as they were in the joint resolution as it passed the House.

Section 4 of the joint resolution as it passed the House provided that section 22 (g) of the Federal Reserve Act, as amended (relating to indebtedness of executive officers of banks), should not apply to loans which the Commodity Credit Corporation has agreed to take over or purchase. The committee recommends that this section be eliminated.

Section 5 of the joint resolution (renumbered sec. 4) provides that full reimbursement shall be made to the Commodity Credit Corporation for services performed, losses sustained, operating costs incurred,

or commodities purchased or delivered to or on behalf of the Lend-Lease Administration, the Army, the Navy, the Board of Economic Warfare, the Reconstruction Finance Corporation, or any other Government agency.

The committee recommends the addition of two new sections to the joint resolution. The first of these sections prohibits the Commodity Credit Corporation, the Reconstruction Finance Corporation, the subsidiaries of the Reconstruction Finance Corporation, and any other Government-owned corporations from paying subsidies or purchasing commodities for the purpose of selling them at a loss, or borrowing money to be used for such purpose, and also prohibits the use of appropriations for any such purpose, except as set out in the section or hereafter expressly authorized by the Congress.

Under the section the Reconstruction Finance Corporation is authorized to borrow money and pay to shippers of commodities or others the increased costs of transportation resulting from the war emergency. It is also authorized to borrow money and pay subsidies relating to, or purchase for the purpose of selling at a loss, strategic and critical materials necessary to the manufacture of equipment and munitions of war for the United States Government or any of the United Nations, and to subsidize the high cost of minerals to increase the production thereof.

Such Corporation is further authorized, when requested by the War Food Administrator, to borrow not to exceed \$350,000,000, and to use or allocate such sum prior to January 1, 1944, to pay subsidies or purchase commodities for the purpose of selling them at a loss in order to obtain the maximum necessary production of such commodities or to prevent price increases thereof. Commitments heretofore made for such purposes are to be included within the limitation, and no further commitments are to be entered into which cannot be fulfilled out of the \$350,000,000. The Commodity Credit Corporation, when requested by the War Food Administrator, is authorized to borrow not to exceed \$175,000,000 for use prior to January 1, 1944, for similar purposes, and its commitments are also to be included within the \$175,000,000. The President is authorized to interchange any part of the amounts referred to in this paragraph.

The section further provides that nothing is to be construed to prevent the making of parity payments, soil-conservation payments, or benefits to sugar growers, or the sale of feed wheat, as authorized by existing law, and that no reduction is to be made in the price paid to producers of livestock or dairy products on account of any reduction or roll-back in the price of any commodity with respect to which subsidy payments are made. The Reconstruction Finance Corporation is directed to issue suitable regulations to prevent any such reduction in the price paid to the producers of livestock and dairy products.

At the earnest request of the Price Administrator the committee has included a section dealing with grade labeling and standardization. In the National War Agencies Appropriation Act, 1944, both Houses have just adopted the following provision:

*Provided further*, That no part of this appropriation shall be used for the promulgation or enforcement of orders requiring grade labeling or standardization of food products, wearing apparel or other processed or manufactured commodities or articles.

The Price Administrator fears that this proviso will nullify his price-fixing system as to many commodities where the pricing is based on certain specifications and standards. The committee is therefore proposing an amendment to the Price Control Act, making it clear that nothing in that act shall be construed as authorizing the elimination of trade and brand names or requiring grade labeling or requiring standardization, by providing that the Administrator may require standardization when—

no practicable alternative exists for securing effective price control with respect to such commodity.

It is also made clear that there is no objection to basing a price system on the classification of commodities if such classification was in substantial use in the trade or industry affected, or has been established by some other Government agency.







historical interest, submitted a report hereon pursuant to law.

#### BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. RADCLIFFE:

S. 1303. A bill for the relief of Mabel K. Young;

S. 1304. A bill for the relief of the G. Fava Fruit Co.; and

S. 1305. A bill for the relief of Anne Rebecca Lewis and Mary Lewis; to the Committee on Claims.

By Mr. MAYBANK:

S. 1306. A bill for the relief of T. Brooks Alford; to the Committee on Claims.

(Mr. BREWSTER introduced bill 1307, which was referred to the Committee on Education and Labor, and appears under a separate heading.)

By Mr. DANAHER:

S. 1308. A bill to prohibit proof of acts done by an inventor in foreign countries; to the Committee on Patents.

By Mr. RADCLIFFE:

S. J. Res. 72. Joint resolution paying tribute to Francis Scott Key, author of our national anthem; to the Committee on the Library.

By Mr. BROOKS:

S. J. Res. 73. Joint resolution requesting the President to declare November 10, 1943, a day for the observance of the creation of the United States Marine Corps was read twice by its title and referred to the Committee on the Judiciary.

#### NATIONAL LABOR CODE

Mr. BREWSTER. President, I ask unanimous consent to introduce for appropriate reference a bill to provide for a national labor code governing operations and procedure for labor unions. I also request that an explanatory statement regarding the bill may be printed in the RECORD.

The ACTING PRESIDENT pro tempore. Without objection, the bill will be received and appropriately referred, and the statement presented by the Senator from Maine will be printed in the RECORD.

The bill (S. 1307) to provide for a national labor code governing operations and procedure for labor unions, was read twice by its title and referred to the Committee on Education and Labor.

The statement presented by Mr. BREWSTER in connection with the bill is as follows:

This bill is perhaps unique as a bill regulating labor in that it has been originated and sponsored by responsible labor leaders who have given their lives to union activities.

It is further unique in not creating a new Federal agency for its administration or enlarging the power or responsibility of any existing Federal agency, but rather places the responsibility for its enforcement in the hands of any single interested union member who finds his rights violated by the officials whom he has chosen to represent him.

The bill is not especially designed for war conditions although it is believed it will conduce to labor peace which is the prime requisite in production at the present critical time. Because it is not designed especially for war conditions, it recognizes and provides for the right to strike but this is conditioned by my expectation that before this legislation can receive appropriate consideration after the recess, the Congress will have considered and enacted legislation dealing with the obligation of every individual citizen

of the country during time of war, and that this legislation will eliminate any controversy as to the right or opportunity of any individuals to refuse to cooperate in the war effort in which our country is engaged.

The bill is concerned with the general conditions under which labor union activities may be carried on. The country has come to recognize that labor unions like many other associations are now affected with a public interest in whose orderly conduct the public has an interest exactly as they do in the conduct of corporations and associations of many other kinds.

While its provisions may seem restrictive, it will yet be found that 75 percent of the unions in this country now declare most of these rights and obligations in their constitutions and bylaws and that practically all of the unions have at least 75 percent of the provisions in their constitution or bylaws.

Queries may then be made as to why any legal enactment is necessary. The answer is found in the failure in many instances of the officials to observe the restrictions of their constitutions or bylaws and the very great practical difficulties in the way of enforcement of their rights by members of the obligations of the officers.

Removal of the delinquent or transgressing officials would seem to be a simple remedy but this is rendered rather difficult when in many instances conventions of international unions are omitted for many years at a time.

It is the considered opinion of the close students of the labor problem, both within and without organized labor, that many of the evils which have greatly aroused the public in recent years would be eliminated if orderly methods of procedure were laid down by law and there was provision by which these procedures could be enforced without the necessity of running to Washington for redress.

The bill is being introduced at this time, prior to the recess, in order that there may be opportunity for consideration by all interested during the summer with the hope that it may be possible to secure hearings on the proposed legislation before the Committee on Education and Labor during the fall when a representative presentation can be made as to the conditions and the reasons that lead some students of the situation to believe action along this line may be helpful.

#### HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, was read twice by its title and referred to the Committee on Banking and Currency.

#### CONTINUATION OF COMMODITY CREDIT CORPORATION—AMENDMENT

Mr. O'MAHONEY. Mr. President, for the Senator from Nebraska [Mr. BUTLER] and myself I submit an amendment intended to be proposed by us to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

I ask that the amendment be referred to the Committee on Banking and Currency, be printed in the usual form and in the RECORD and that following it there be printed in the RECORD an explanatory statement prepared by me.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The amendment submitted by Mr. O'MAHONEY, for himself and Mr. BUTLER, is as follows:

#### House Joint Resolution 147

Amendment intended to be proposed by Senator O'MAHONEY and Senator BUTLER to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes:

"SEC. 6. The authority conferred by section 2 (e) of the Emergency Price Control Act of 1942, as amended, and by all other provisions of law to make subsidy payments with respect to food and to purchase food for the purpose of sale at a loss shall, after the date of the enactment of this act, be exercised only with the approval of the War Food Administrator and only in such manner and upon such terms and conditions as he determines to be necessary to obtain the necessary maximum production or utilization of food for the armed services, for essential civilian needs, for carrying out the purposes of the act of March 11, 1941, and for war relief purposes: *Provided*, That such subsidy payments shall be made only to and such purchases shall be made only from producers of the commodity from which such food is derived: *Provided further*, That, until the President recommends and the Congress approves a larger amount, the aggregate cost of such subsidy operations shall not exceed \$175,000,000.

"(b) The provisions of subsection (a) hereof shall not affect in any way (1) the carrying out of subsidy programs which have been announced or subsidy commitments which have been made prior to July 1, 1943, except roll-back programs with respect to milk and livestock and their products, which may not be continued beyond July 31, 1943; (2) the making of such adjustments in the maximum prices for competitive domestic fats and vegetable oils and oilseeds, and the carrying out of such subsidy operations in connection therewith, as may be necessary to bring about or maintain adequate production or utilization for the war effort; (3) the selling of wheat for feeding purposes, if sold at not less than the parity price of corn, as otherwise provided by law; (4) the payment to shippers of commodities or others of increased costs, resulting from the war emergency, in connection with the transportation of any commodity; and (5) programs or operations undertaken with respect to commodities produced outside the continental United States."

The explanatory statement submitted by Mr. O'MAHONEY is as follows:

It is not sufficient to maintain ceilings on food products and keep the cost of living down. It is necessary also to make certain that there is a sufficient supply of food.

The extension of the commodity-credit bill in the form approved by the House and the roll-back program announced by Office of Price Administration will not provide sufficient food. The reason is plain: neither the producers of livestock nor the little packers are able to meet the cost of production under this plan. Little packing houses are closing. The liquidation of the small packer will make it impossible for the big cities and the people generally to obtain the meat supplies they need. The liquidation of these packers will also make it difficult for the armed forces to obtain their supply. Moreover, it will result in further concentrating the meat-packing industry in the hands of the big packers.

The roll-back upon the producer must be prevented at all costs if the production of agricultural commodities is to be maintained at the rate necessary for war purposes. If the roll-back is not stopped, producers of livestock and other agricultural commodities will go out of business just as the little



packers have been going out of business. No farmer, no processor can operate at less than the cost of production. Therefore, we must take the steps necessary to guarantee at least that rate.

Since the House of Representatives has sustained the President's veto, and since the President has invited the cooperation of Congress, there is only one course left open now, and that is to authorize the subsidies to be paid at the source where alone they can guarantee the supply of food that is needed. This can be done through an amendment similar to that which I offered last Friday and which was approved by the Senate. Such a modification is now being presented by Senator BUTLER and myself. We have discussed the matter with Prentiss Brown and others, and I believe that a solution may possibly be worked out along this line.

The proposal to be offered by us makes it possible to prevent any rise in the cost of living so far as food is concerned and, at the same time, it will not obstruct the production and distribution of food, as the present program does. It will allow the normal operation of all branches of the food industry, and, in our opinion, if properly administered, will require the payment of only minimum subsidies. Of equal importance, it will prevent the roll-back upon the producer which, if permitted to continue, will certainly result in the destruction of the capacity of American agriculture to produce.

#### NATIONAL DEFENSE AMENDMENT

Mr. TAFT submitted an amendment intended to be proposed by him to the bill (H. R. 2936) to authorize the appropriation of an additional \$200,000,000 to carry out the provisions of title II of the act entitled "An act to expedite the provision of housing in connection with national defense, and for other purposes," approved October 14, 1940, as amended, which was ordered to lie on the table and to be printed.

#### LABOR UNION INITIATION FEES AND DUES

Mr. HOLMAN. Mr. President, yesterday, following some observations by the junior Senator from Minnesota [Mr. BALL], a debate ensued wherein, through the courtesy of the junior Senator from Maine, I was permitted to interrupt as follows:

Mr. HOLMAN. I should like to ask the Senator if the basic and fundamental situation back of this controversy is not the struggle between the various racketeers of labor for the harvest of dues and initiation fees imposed upon the workers?

Mr. BREWSTER. I will let the Senator from Oregon phrase the situation as he wishes. The Senator from Minnesota said it was rather clearly indicated before our committee that there was a contest as to who should control.

Mr. HOLMAN. Control what and for what purpose?

Mr. BREWSTER. The receipt of funds. It seems clear to me that at this crisis the Senate should not be primarily concerned with whether one or another group shall receive the dues.

Further in the debate the senior Senator from New York [Mr. WAGNER] yielded to me, when I remarked as follows:

Mr. HOLMAN. I happen to come from the district in which seems to be located the plant where the unjustified things occurred. The very question asked by the Senator from Maryland [Mr. TYDINGS] indicates the situation of a monopoly on the issuing of permits by which men can earn their daily bread. The situation has reached such a point that men must buy a permit to work.

That is the wording of it—a permit to work. It results in racketeering at the expense of the men who work; and every one of the thousands upon thousands of men who work have to buy from the A. F. of L. or the C. I. O. a permit to work. That results in graft which makes Al Capone look like a child in kindergarten.

Mr. President, at this time I should like to extend my thoughts on this subject.

In my opinion the Senate Committee on Education and Labor should proceed at once to report remedial amendments to the National Labor Relations Act which experience under it now demands.

The National Labor Relations Act, as it now reads and is administered, permits, and encourages racketeering of a most vicious and un-American character; and the victims of this racketeering are the very workmen whom I am sure it was the purpose of the Congress to protect. By means of force and violence, citizens—both employees and employers—are intimidated by legalized gangsters so that many good American citizens no longer are permitted to engage in free enterprise either by the use of their labor or capital; but must submit to regimentation and exploitation by racketeers, who exercise a control over the persons, activities, and earnings of the workers and of the capital and commercial operations of the employers. Moreover, under the National Labor Relations Act the racketeers of labor have amassed great sums of money from the sale of "permits to work," so-called initiation fees and dues, by extracting these enforced and piratical fees from the savings and earned wages of the workers.

All this is wrong and immoral, in my opinion, and it is my earnest hope that the Senate Committee on Education and Labor will offer promptly the reformatory amendments which the existing chaotic and un-American situation demands. The present law, in effect, sets up labor bosses, or strike masters, or racketeers, who are parasites on the earnings of the workers, and an effective force in controlling and curtailing the freedom and liberty of American citizens.

Is it not possible now, with the knowledge gained from 8 years of experience under the National Labor Relations Act, to save the good features of it and yet reform the mischief-making provisions contained in it, or the administration of it, so that American workmen can be protected from exploitation not only from grasping employers and improper working conditions, but also from intimidation through fear of beat-up squads in the employ of the racketeers, and from the piratical exactions of the racketeers?

#### CONDITIONS IN COAL MINING—ADDRESS BY SECRETARY ICKES

[Mr. GUFFEY asked and obtained leave to have printed in the Record a radio address regarding the coal situation delivered by Hon. Harold L. Ickes, Secretary of the Interior and Solid Fuels Administrator for War, which appears in the Appendix.]

#### ROOSEVELT OR HITLER, WHICH?—ARTICLE FROM THE WICHITA PLAIN DEALER

[Mr. GUFFEY asked and obtained leave to have printed in the Record an article enti-

led "Roosevelt or Hitler, Which?" from the Wichita Plain Dealer of June 26, 1943, which appears in the Appendix.]

#### TRIBUTE TO THE LATE THOMAS S. SMITH, COLLECTOR OF INTERNAL REVENUE FOR CONNECTICUT

[Mr. MALONEY asked and obtained leave to have printed in the Record a letter from Assistant Secretary of the Treasury Herbert E. Gaston, and editorials from the Hartford Times and the Hartford Courant, in tribute to the late Thomas S. Smith, Collector of Internal Revenue for Connecticut, which appear in the Appendix.]

#### INFLATION AND WAR BONDS—LETTER BY ROBERT P. VANDERPOEL

[Mr. HILL asked and obtained leave to have printed in the Record an open letter dealing with the effect of inflation on the value of War bonds, addressed to Senator Lucas by Robert P. Vanderpoel, financial editor of the Chicago Herald-American, published in the June 29, 1943, issue of the Herald-American, which appears in the Appendix.]

#### WHAT THE ARMED FORCES WONDER—EDITORIAL FROM THE TORONTO DAILY STAR

[Mr. MEAD asked and obtained leave to have printed in the Record an editorial entitled "What the Armed Forces Wonder," from the Toronto Daily Star of May 20, 1943, which appears in the Appendix.]

#### MONTHLY PAYMENTS TO DEPENDENTS OF ENLISTED MEN

[Mr. MAYBANK asked and obtained leave to have printed in the Record a schedule of the monthly payments to dependents of enlisted men, prepared by the War Department, which appears in the Appendix.]

#### PERMANENT STAFF OF EXPERTS FOR CONGRESSIONAL APPROPRIATIONS COMMITTEES

Mr. TYDINGS. Mr. President, in this morning's Washington Post there is an editorial dealing with the need of having a small permanent staff of experts attached to the Appropriations Committees of the House and Senate, so that prior to the time appropriation bills come to the committees for consideration, examinations and surveys may be made and pertinent information secured, which will not only save time but furnish the Appropriations Committees with information which they should have and must have if they are to function smoothly and efficiently.

As the result of an investigation into governmental activities authorized by the Senate some time ago, bills have been introduced by Senators on the other side of the Chamber to accomplish this purpose, and I have also introduced one. There has not been sufficient time during the present session to give that matter consideration, but I hope that when the Senate reconvenes after the recess legislation will be enacted which will permit the Appropriations Committees to employ, let us say, three experts in the Senate and three in the House, and one jointly, which will compose a standing group which can pursue studies and investigations for the Appropriations Committees, so that wherever possible we may effect economies and efficiency in the appropriation of public moneys.

I ask unanimous consent that as a part of my remarks the editorial from



portunity to work their way through school will not be given such opportunity during the next school year which is looming upon the horizon.

Mr. TRUMAN. Mr. President, I desire to say to the able Senator that there are other programs which do help put young people through college. Both the Army and the Navy have programs under way at the present time, and so has the Office of Education, I believe, under Mr. Studebaker. However, they do not reach the same class of persons that is reached by the N. Y. A.

Mr. PEPPER. The information I have received, Mr. President, from Mr. Aubrey Williams is that the Army and Navy programs do not apply to the boys and girls who are getting this training. Either they are girls and are not eligible for the Army and Navy V-12 program, or they are not physically able to pass the test required for participation in the Army and Navy programs, and are not eligible on that score. If I am not mistaken, the program of the Office of Education extends only loans, not work opportunities, to boys and girls taking the ordinary school and college courses. I am not referring to vocational training. I am referring to ordinary school training.

Mr. McCARRAN. There is a loan program, and it is a different program.

#### CONTINUANCE OF COMMODITY CREDIT CORPORATION

Mr. BARKLEY. Mr. President, following the President's veto of the Commodity Credit Corporation bill, yesterday the House passed House Joint Resolution 147 extending the life of the Commodity Credit Corporation for 6 months. It had been my hope that the Senate could consider the resolution and act on it, without first referring it to the committee which has jurisdiction. After conference on the matter it is obvious that it is impossible to do so, but that the resolution should be referred to the committee, to be reported from the committee to the Senate at the earliest possible moment.

Therefore, I ask unanimous consent that the joint resolution be referred to the Committee on Banking and Currency.

The PRESIDING OFFICER. Without objection, House Joint Resolution 147 is referred to the Committee on Banking and Currency.

Mr. BARKLEY. Mr. President, let me make the further statement that the Senator from New York [Mr. WAGNER], Chairman of the Committee on Banking and Currency, desires me to announce that he is calling a meeting of the Committee at 4 o'clock this afternoon in the District of Columbia Committee room.

Mr. WHITE. Mr. President, it comes to my mind that a resolution of the same import, or dealing with the same matter, was submitted yesterday by the Senator from South Carolina. Should it not be referred to the same committee?

Mr. BARKLEY. I think so, because it deals with the matters with which the Commodity Credit Corporation and the Office of Price Administration are dealing.

Mr. WHITE. I wondered if the matter had been discussed with the Senator.

Mr. BARKLEY. I have discussed it with the Senator, but I do not want to make that request in his absence.

#### APPROPRIATIONS FOR THE LABOR DEPARTMENT AND FEDERAL SECURITY AGENCY

The Senate resumed the consideration of Mr. McCARRAN's motion that the Senate recede from its amendment numbered 30 to the bill (H. R. 2935) making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1944, and for other purposes.

Mr. TRUMAN. Mr. President, let me say I am endeavoring to conclude my remarks. I had no intention of taking up so much of the time of the Senate; but, as the Senate is well aware, I have yielded most of my time to other Senators in order to permit them to make statements in my time. I am very anxious that the Senate proceed to vote, and that it vote against the motion of the Senator from Nevada.

Mr. McCARRAN. Mr. President, while the Senator from Florida is present, let me say that six training agencies are provided for and financed under the very bill now before the Senate, and those six training agencies receive appropriations totaling in excess of \$150,000,000 for the training of youth for the very activities to which the Senator has referred. One of them provides not only means whereby the youth may pay his way but standard wages for payment to him when working in industry. The name of that service is "Training Within Industry Service." It carries an appropriation of \$1,147,000.

Mr. PEPPER. Mr. President, if the able Senator will yield to me, I should like to suggest that the subject to which he has just adverted is not the one which was in my mind. I have referred, not to training in industry, but to the ordinary boy or girl who goes to high school and takes the ordinary high-school course, not a vocational course, and, through the N. Y. A., gets a chance to do 4, 5, 6, or 7 dollars worth of work a month, and the ordinary boy or girl who, desiring to go to college and take an ordinary A. B. or B. S. course, gets a work opportunity to take the general course leading to a general degree, through the N. Y. A. I say to my able friend, the Senator from Nevada, that I am very much confused if there is any other program which allows the opportunity the N. Y. A. now allows.

Mr. McCARRAN. At the present time enrollment at the colleges is rapidly being curtailed. The work opportunity for the youth who can go to college exists. Let me say that the six agencies provide opportunities for the youth, whether he is in college or out of college, in various ways. For instance, there are apprentice and training services, and otherwise. That training is under the industry or apprentice to industry program. Another agency provides vocational training for war-production work. Another one provides vocational training for rural war-production work. Another one provides engineering, science, man-

agement, and war training under the United States Office of Education.

Then comes the N. Y. A., the United States Employment Service is specifically assigned to deal with labor and supplies for labor, and so on. Every one of the agencies, either in this bill or in other bills, carries large appropriations.

The amendment is merely an attempt to maintain an agency that is duplicating all the way through.

Let me invite the attention of the Senator from Delaware to the report of the Byrd committee, which he has mentioned:

Total number of work stations, 24; number in use, 24; number of youths under active assignment, 16.

That means that there are teachers for each one of the 24 set-ups; a work station may be a lathe, it may be a stamp, it may be anything at all. Each one of those counts as a project. The total number is 24. There are either 1 or 2 teachers for each one of those, but only 16 youths are receiving training.

Mr. TUNNELL. Mr. President, I have twice explained that matter, and I shall be very glad to do so again. While that statement does show the situation stated, the facts do not sustain it. The number of pupils in the State now taking the course is 77. There are 37 taking the course in Philadelphia. So the figures 16 and 24 do not represent a true picture of the situation.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Nevada (Mr. McCARRAN).

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Gurney	Radcliffe
Andrews	Hawkes	Reed
Austin	Hayden	Revercomb
Ball	Hill	Reynolds
Barkley	Holman	Robertson
Brewster	Kilgore	Russell
Bridges	La Follette	Scruggam
Brooks	Langer	Shipstead
Buck	Lucas	Smith
Burton	McCarran	Stewart
Bushfield	McClellan	Taft
Butler	McFarland	Thomas, Okla.
Byrd	McKellar	Thomas, Utah
Capper	Maloney	Truman
Caraway	Maybank	Tydings
Chavez	Mead	Vandenberg
Connally	Millikin	Van Nuys
Danaher	Moore	Wagner
Davis	Murdock	Wallgren
Downey	Murray	Walsh
Ellender	Nye	Wheeler
Ferguson	O'Daniel	Wherry
George	O'Mahoney	White
Gerry	Overton	Willis
Guffey	Pepper	

The PRESIDING OFFICER. Seventy-four Senators have answered to their names. A quorum is present.

The question is on agreeing to the motion of the Senator from Nevada [Mr. McCARRAN] that the Senate recede from its amendment numbered 30 to House bill 2935. The yeas and nays have been ordered, and the clerk will call the roll.

Mr. AUSTIN. Mr. President, what is Senate amendment numbered 30?

The PRESIDING OFFICER. Senate amendment numbered 30 relates to the



N. Y. A. A vote for the motion is a vote to liquidate the N. Y. A.

The Chief Clerk proceeded to call the roll, and Mr. AIKEN voted in the negative when his name was called.

Mr. PEPPER. Mr. President, I have just entered the Chamber. Has the roll call begun?

The PRESIDING OFFICER. The roll call has begun.

The Chief Clerk resumed the calling of the roll.

Mr. BALL (when his name was called). On this question I have a pair with the Senator from New Mexico [Mr. HATCH], who is absent because of illness. If the Senator from New Mexico were present, he would vote "nay." If I were at liberty to vote, I should vote "yea."

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I am informed that if he were present he would vote as I am about to vote. I am therefore at liberty to vote. I vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Washington [Mr. BONE] is detained in a committee meeting.

The Senator from Delaware [Mr. TUNNELL] is detained in one of the Government departments on business pertaining to his State. I am advised that if present, he would vote "yea."

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business. I am advised that if present, the Senator from Kentucky [Mr. CHANDLER] would vote "yea."

The Senator from Alabama [Mr. BANKHEAD], the Senator from Missouri [Mr. CLARK], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], and the Senator from Colorado [Mr. JOHNSON] are necessarily absent. I am advised that if present, the Senator from Mississippi [Mr. EASTLAND] would vote "yea."

I also announce the following pairs: the Senator from Virginia [Mr. GLASS] with the Senator from Idaho [Mr. CLARK]; and the Senator from North Carolina [Mr. BAILEY] with the Senator from Colorado [Mr. JOHNSON]. I am advised that if present and voting, the Senator from Virginia and the Senator from North Carolina would vote "yea," and that the Senator from Idaho and the Senator from Colorado would vote "nay."

Mr. WHITE. The Senator from New Jersey [Mr. BARBOUR], who would vote "yea," has a pair with the Senator from Mississippi [Mr. BILBO], who would vote "nay."

The Senator from California [Mr. JOHNSON], who would vote "yea," has a pair with the Senator from Iowa [Mr. GILLETTE], who would vote "nay."

The Senator from Iowa [Mr. WILSON], who would vote "yea," has a pair with the Senator from Rhode Island [Mr. GREEN], who would vote "nay."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business. If present he would vote "yea."

The Senator from Wisconsin [Mr. WILEY] is absent on official business.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from Idaho [Mr. THOMAS] and the Senator from Massachusetts [Mr. LODGE] are necessarily absent.

The Senator from Massachusetts [Mr. LODGE], who would vote "nay," is paired with the Senator from Missouri [Mr. CLARK], who would vote "yea."

The result was announced—yeas 39, nays 33, as follows:

#### YEAS—39

Bridges	Hawkes	Revercomb
Brooks	Holman	Reynolds
Buck	McCarran	Robertson
Burton	McClellan	Shipstead
Butler	McFarland	Smith
Byrd	McKellar	Stewart
Chavez	Maloney	Taft
Connally	Millikin	Tydings
Danaher	Moore	Vandenberg
Davis	Nye	Walsh
Ferguson	O'Daniel	Wheeler
Gerry	Radcliffe	Wherry
Gurney	Reed	Willis

#### NAYS—33

Alken	Hayden	Overton
Andrews	Hill	Pepper
Austin	Kilgore	Russell
Barkley	La Follette	Scrugham
Brewster	Langer	Thomas, Okla.
Capper	Lucas	Thomas, Utah
Caraway	Maybank	Truman
Downey	Mead	Van Nuys
Ellender	Murdock	Wagner
George	Murray	Wallgren
Guffey	O'Mahoney	White

#### NOT VOTING—24

Bailey	Clark, Idaho	Johnson, Colo.
Ball	Clark, Mo.	Lodge
Bankhead	Eastland	McNary
Barbour	Gillette	Thomas, Idaho
Bilbo	Glass	Tobey
Bone	Green	Tunnell
Bushfield	Hatch	Wiley
Chandler	Johnson, Calif.	Wilson

The roll call was concluded.

So Mr. McCARRAN's motion was agreed to.

Mr. McCARRAN. Mr. President, I move that the Senate further insist upon its amendment numbered 24, request a further conference with the House thereon, and that the Chair appoint conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. McCARRAN, Mr. McKELLAR, Mr. RUSSELL, Mr. BANKHEAD, Mr. TRUMAN, Mr. LODGE, Mr. WHITE, and Mr. REED conferees on the part of the Senate at the further conference.

#### THE CALENDAR

Mr. BARKLEY. I ask unanimous consent that the Senate proceed to the consideration of bills on the calendar to which there is no objection, beginning with Calendar No. 322, which is the point at which the last call of the calendar ended.

The PRESIDING OFFICER. Is there objection?

#### ACQUISITION OF CORN BY GOVERNMENTAL AGENCIES

Mr. SMITH. Mr. President, yesterday I introduced Senate Joint Resolution 71 relating to the acquisition of corn by governmental agencies. The Members of the Senate do not seem to be thoroughly familiar with the joint resolution. I shall ask that it be referred to the Committee on Agriculture and Forestry.

The PRESIDING OFFICER. The Chair advises the Senator from South Carolina that the Senator from Kentucky [Mr. BARKLEY] has asked that the Senate proceed to the call of the calendar.

Mr. BARKLEY. Mr. President, the question of the jurisdiction over the joint resolution to which the Senator from South Carolina has referred is one which I wish to discuss with him. I do not know that the resolution should be referred to the Committee on Agriculture and Forestry.

Mr. SMITH. Mr. President, if the subject of the acquisition of corn is not proper one to come before that committee, I do not know what is. Corn is an agricultural product.

Mr. BARKLEY. Of course, corn is an agricultural product, but the purchase of corn and its storage by the Commodity Credit Corporation, which is the only agency of the Government purchasing corn, or the only agency which has purchased corn, except agencies, such as the War Department, which buy it for use to feed horses, and so forth, is a matter which affects the jurisdiction of the Committee on Banking and Currency.

Today, before the Senator came into the Chamber, or while he was temporarily called from it on important business, the Senate referred to the Banking and Currency Committee the resolution passed by the House yesterday, following the President's veto of the Commodity Credit Corporation bill. That committee is meeting this afternoon to consider that subject. I think that this resolution ought to go to the same committee, because the Commodity Credit Corporation and the Office of Price Administration at this time are the only two agencies of the Government dealing with prices or with the purchase of corn except those agencies which buy it for use, such as the War Department, and I am satisfied that the Senator did not mean by his resolution to require the War Department, in buying corn for feeding horses of the cavalry, to pay a stipulated price.

Mr. SMITH. Mr. President, the committee of which I am chairman has had hearings and discussed the confused situation which exists in relation to corn. Before the committee a judge from the State of Texas made a very clear presentation of the question. Regardless of who handles it, after it is made corn is an agricultural product, and those interested want to know what is going to be done about it.

So far as I am concerned, I am speaking for the Corn Belt. In my section practically the only purchases of corn we



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ment of the Senate numbered 23, and agree to the same with an amendment, as follows: In line 4 of said amendment before the word "within" insert the words "to the public"; and the Senate agree to the same. Amendment numbered 27: That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$89,267,720"; and the Senate agree to the same.

Amendment numbered 28: That the House recede from its disagreement to the amendment of the Senate numbered 28, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$203,720"; and the Senate agree to the same. The committee of conference report in disagreement amendments number 2, 11, 24, 32, 33, and 34.

KENNETH McKELLAR,  
CARL HAYDEN,  
M. E. TYDINGS,  
GERALD P. NYE,  
H. C. LODGE, JR.,  
RUFUS C. HOLMAN,

*Managers on the part of the Senate.*

CLARENCE CANNON,  
C. A. WOODRUM,  
LOUIS LUDLOW,  
J. BUELL SNYDER,  
EMMET O'NEAL,  
LOUIS C. RABAUT,  
JOHN TAPER,  
R. B. WIGGLESWORTH,  
W. P. LAMBERTSON,  
J. W. DITTER,

*Managers on the part of the House.*

The report was agreed to. The ACTING PRESIDENT pro tempore laid before the Senate a message from the House of Representatives announcing its action on certain amendments of the Senate to House bill 2968 which was read as follows:

IN THE HOUSE OF  
REPRESENTATIVES, UNITED STATES,  
July 3, 1943.

Resolved, That the House recede from its disagreement to the amendments of the Senate numbered 24, 25, and 32 to the bill (H. R. 2968) making appropriations for war agencies in the Executive Office of the President for the fiscal year ending June 30, 1944, and for other purposes, and concur therein;

That the House recede from its disagreement to the amendment of the Senate numbered 2 to said bill and concur therein with an amendment as follows: In line 5 of the latter inserted by said Senate engrossed amendment after "executing" insert "general."

That the House recede from its disagreement to the amendment of the Senate numbered 11 to said bill and concur therein with amendments as follows: In line 1 of the latter inserted by said Senate engrossed amendment strike out "\$13,359,600" and insert "\$10,500,000"; and in line 8 of said amendment strike out "\$400,000" and insert "700,000"; and

That the House insist upon its disagreement to the amendments of the Senate numbered 33 and 34 to said bill.

Mr. McKELLAR. I move that the Senate agree to the House amendments to Senate amendments numbered 2 and 11. The motion was agreed to.

Mr. McKELLAR. I move that the Senate further insist on its amendments numbered 33 and 34, ask a further conference with the House, and that the chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Acting President pro tempore appointed Mr. McKELLAR, Mr. GLASS, Mr. HAYDEN, Mr. TYDINGS, Mr. RUSSELL, Mr. NYE, Mr. LODGE, and Mr. HOLMAN conferees on the part of the Senate at the further conference.

#### CONTINUATION OF COMMODITY CREDIT CORPORATION

Mr. BARKLEY. Mr. President, I move that the Senate proceed to the consideration of House Joint Resolution 147.

The ACTING PRESIDENT pro tempore. The joint resolution will be read by title for the information of the Senate.

The CHIEF CLERK. A joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Kentucky.

The motion was agreed to; and the Senate proceeded to consider the joint resolution, which had been reported from the Committee on Banking and Currency with amendments.

#### REORGANIZATION OF SENATE COMMITTEE STRUCTURE

Mr. LA FOLLETTE. Mr. President, out of order I ask unanimous consent to submit a resolution proposing to amend the rules of the Senate by a reorganization of the committee structure of this body.

The Senator from Missouri [Mr. TRUMAN] was kind enough to place in the RECORD an article written by me for the current issue of the Atlantic Monthly. The proposed revision of the rules and reorganization of the committee structure is intended to carry out one of the suggestions I made in that article, which appears in the temporary RECORD on page A3627.

There being no objection, the resolution (S. Res. 169) was received and referred to the Committee on Rules, as follows:

Resolved, That, effective at the beginning of the Seventy-ninth Congress, rule XXV of the Standing Rules of the Senate is amended by striking out paragraph 1 and inserting in line thereof the following:

"1. The following standing committees shall be appointed at the commencement of each Congress, with leave to report by bill or otherwise:

"Committee on Agriculture, to consist of 12 Senators, to which shall be referred all matters relating to the production and marketing of agricultural commodities, the establishment, maintenance, and control of credit facilities for farmers and farm cooperative organizations.

"Committee on Armed Forces, to consist of 12 Senators, to which shall be referred all matters relating to the Military and Naval Establishments, including the increase or reduction of commissioned officers and enlisted men, their pay, pensions, allowances, and benefits; to the development of land, air, and naval armaments, the militia, and the public defense.

"Committee on Finance and Monetary Affairs, to consist of 12 Senators, to which shall be referred all matters relating to the raising of revenue and the bonded debt of the United States, the maintenance of the national cur-

rency, and the regulation of banking and credit.

"Committee on Foreign Relations, to consist of 12 Senators, to which shall be referred all matters relating to the relations of the United States with foreign nations.

"Committee on the Interior, Natural Resources, and Public Works, to consist of 12 Senators, to which shall be referred all matters relating to the administration of all United States Territories and island possessions; the admission of States; relations of the United States with the Indians and the Indian tribes; the administration and transfer of public lands, public buildings, and occupied or improved grounds of the United States; the development and conservation of natural resources, the improvement of rivers and harbors, and flood control; construction and maintenance of roads and other public works; and the Postal Service.

"Committee on Interstate Commerce, to consist of 12 Senators, to which shall be referred all matters relating to patents, copyrights, and trade-marks, and the regulation of commerce among the several States.

"Committee on the Judiciary, to consist of 12 Senators, to which shall be referred all matters relating to judicial proceedings, civil and criminal law, and the maintenance of the courts and the civil liberties of citizens.

"Committee on Labor and Public Welfare, to consist of 12 Senators, to which shall be referred all matters relating to immigration and naturalization, wages and standards of labor, conditions of employment, collective bargaining between management and labor, social security and welfare, and the civil service.

"Committee on Appropriations, to consist of 24 Senators, to which shall be referred all matters relating to appropriation of the revenue for the support of the Government.

"Committee on Expenditures in Executive Departments, to consist of 12 Senators, which shall as deemed necessary examine the accounts and expenditures of the several departments, independent establishments, and commissions of the Government; the manner of keeping such accounts; the economy and justness of such expenditures; their conformity with appropriation laws; and to which shall be referred all matters relating to the security of the Government against unjust and extravagant demands; the economy and accountability of public officers; and the abolishment of useless offices.

"Committee on Rules and Administration of the Senate, to consist of 24 Senators, to which shall be referred all matters touching the rules and order of business of the Senate, the expenditure of the contingent fund of the Senate, printing, privileges and elections, the Library of Congress; and which committee shall be responsible for the proper enrollment of bills.

"Committee on Claims, to consist of 13 Senators.

"Committee on the District of Columbia, to consist of 15 Senators.

"2. All standing committees shall have power to act jointly with the corresponding committee of the House of Representatives.

"3. No Senator shall at any time be a member of more than one standing committee other than the Committee on Appropriations, the Committee on Expenditures in Executive Departments, the Committee on Rules and Administration of the Senate, the Committee on the District of Columbia, or the Committee on Claims."

Resolved further, That paragraphs Nos. 2 and 3 shall be numbered 4 and 5, respectively.

Mr. LA FOLLETTE. Mr. President, the broad purposes of the proposed amendment to rule XXV are:

First. To increase the efficiency of the committee organization.



Second. To fix more definitely responsibility for primary formulation of legislative policy.

Third. To improve the machinery for legislative-executive cooperation on governmental policy and provide specialized and informed channels through which the Congress can exercise its policy-making function on a continuous and sustained basis.

In the interest of increased efficiency, the amendment would reduce the size of the substantive policy committees. The amendment provides that each of these committees shall have a membership of 12 Senators. It would limit each Senator to membership on only 1 such committee and thus concentrate his energies on the work of that 1 committee. It would empower joint action with corresponding committees of the House of Representatives.

To fix more precisely the responsibility for the formulation and guidance of legislative policy, it would outline the jurisdiction of each committee in the rule, regroup present duplicating jurisdictions scattered among many committees and reduce the total number of committees.

The fixing of primary legislative responsibility for each of the broad phases of governmental policy and the definite assignment of such responsibility to a given committee, would provide more clearly defined channels of contact and cooperation between the legislative and executive branches of the Federal Government.

The general effects of the amendment are as follows:

First. It would reduce the number of standing committees from the present 33 to 13.

Second. Of this number eight would constitute a group of substantive policy committees, five would constitute a group of more or less administrative function.

Third. The eight substantive policy committees would be: Agriculture; Armed Forces; Finance and Monetary Affairs; Foreign Relations; Interior, Natural Resources, and Public Works; Interstate Commerce; Judiciary; Labor and Public Welfare.

Fourth. The five committees of administrative or executive function would be: Appropriations; Expenditures in Executive Departments; Rules and Administration of the Senate; Claims; District of Columbia.

Fifth. It would limit each Senator to membership on only one of the substantive policy committees.

Sixth. It would place no limitation on a Senator's privilege to serve on other committees.

Seventh. It would authorize all committees to act jointly with corresponding committees of the House of Representatives.

In respect to specific committees, the noteworthy effects of the amendment would be:

First. To strike "Forestry" from name of Committee on Agriculture and leave the question of jurisdiction of agriculture over forestry to be determined as the occasion arises.

Second. To give the Committee on Agriculture clear authority to deal with matters of farm credit.

Third. To combine the present jurisdiction of Military and Naval Affairs Committees.

Fourth. To give the Committee on Armed Forces jurisdiction over matters affecting veterans of the armed forces.

Fifth. To combine related jurisdictions of present Finance and Banking and Currency Committees in one Committee on Finance and Monetary Affairs.

Sixth. To leave status of Foreign Relations Committee unchanged.

Seventh. To combine jurisdictions of present Committees on Territories and Insular Affairs, Indian Affairs, Public Lands and Surveys, Irrigation and Reclamation, Mines and Mining, Post Offices and Post Roads, Public Buildings and Grounds, and Intercoastal Canals under one Committee on Interior, Natural Resources, and Public Works.

Eighth. To combine jurisdictions of present Committees on Interstate Commerce, Manufactures, and Patents in one Committee on Interstate Commerce.

Ninth. To leave status of Committee on the Judiciary unchanged.

Tenth. To combine jurisdictions of present Committees on Education and Labor, Immigration, Civil Service, with present social security jurisdiction of Finance Committee under one Committee on Labor and Public Welfare.

Eleventh. To leave the status and size of Appropriations Committee unchanged.

Twelfth. To expand the membership of the Committee on Expenditures in the Executive Departments from the present number of 7 to 12.

Thirteenth. To combine the functions of the present Committees on Audit and Control of Contingent Expenditures, Rules, Printing, Enrolled Bills, Privileges and Elections, Library, under one Committee on Rules and Administration of the Senate, with an enlarged membership of 24.

Fourteenth. To leave unchanged the present rule on Committee on Claims and Committee on the District of Columbia.

Mr. President, I have not served in this body for these many years without realizing the grave difficulties involved in any attempt to reorganize its committee structure, but I do say that, in the face of the enormous problems and the complex subject with which the Congress is now confronted, and with which it will be confronted in the post-war period, I think no person familiar with the situation in the Senate today can deny that there is a pressing need for committee reorganization and for the streamlining of the legislative branch of the Government if it is to survive in the struggle for power which is bound to continue.

I realize that the moment it is suggested that one committee shall be combined with another immediately the question of the chairmanship is involved, and also other matters; but Mr. President, it is my considered judgment that there is no more important problem before the Congress of the United States than the question of trying to reorganize its procedure and to strengthen its committee structure in order that it may

stand on a more equal footing with the executive arm of the Government.

I think no Senator who has served on many committees—and I am now a guilty as almost any other Senator with regard to the number of committees of which I try to serve—can help having noticed, especially during the last few months, and perhaps the last several years, the growing tendency of Senators to find it impossible to attend meetings of the important committees because of committee conflicts.

When I first entered this body one could turn to the Congressional Directory and find the meeting days of the important committees of the Senate. They met only on the days thus specified and there was no conflict. Now, under the pressure of business and of the complexities of our economic society, the time has come when such committees meet almost continuously, and it is not at all unusual to have a Senator appear in a committee room—and I am not complaining about it—with at least four or five proxies in his pocket. That is not the way in which committees should function. I do not criticize Senators for the practice; under the present situation it is inevitable. Hardly a day has gone by during the present long and arduous session of the Congress when I have not had to decide which one of the several very important committees I would attend on a particular day because of the nearly continuous work of the great committees of the Senate.

I say that if each Senator were confined to only one important committee it would be possible for him to attend its meetings. It would result in his becoming more expert upon the subject matter to which that committee would give its attention, and thus the work of the committees would be improved. In my judgment, we could discharge our responsibility with very much greater efficiency, and we would have committees more constantly in touch with the executive departments of the Government. Confronted as we are with the necessity of the delegation of large portions of legislative power to the executive arm of the Government, these committees would be in a position to make certain that the power was being exercised as the Congress intended it should be exercised.

Today, however, because the committee organization of the Senate has just grown, much like Topsy, executive departments cannot discharge their responsibility of keeping committees of Congress informed by merely going to one committee. Many of the departments have to go to a number of committees, and it has been demonstrated in situations created by the war, when we have had several committees, each one with equal rights of jurisdiction, inquiring into the same subject matter at the same time.

Mr. WHITE and Mr. MALONEY addressed the Chair.

The ACTING PRESIDENT pro tempore. Does the Senator from Wisconsin yield, and, if so, to whom?

Mr. LA FOLLETTE. I yield first to the Senator from Maine, then I shall yield to the Senator from Connecticut.



customarily did so pursuant to a plan through the mechanism of an organization. Indeed, the essence of the operations of "belligerent" employers' associations in California was the highly organized way in which they carried on mass assaults on the exercise of labor's rights. To such action the law of criminal conspiracy is properly applicable, and the practices conducted by such organized groups are criminal in character, according to the law of the land. Yet, by use of the law of criminal conspiracy, the punishment of the innocent with the guilty can be avoided. Innocents and dupes must be selected even if their views are not in accord with public policy so long as their deplorable acts are not in violation of the law. The third phase of this amplification was natural outgrowth of the second phase which was carefully designed to permit legitimate employers' associations of a negotiatory character to operate and perform their useful office. It was a provision requiring registration and regular filing of information in the National Labor Relations Board by organized employer groups dealing in labor relations. The observations in this report of the committee concerning the course of development of employers' associations in California indicate the basis for such a vision. Employers' associations may be belligerent in character, regularly acting pursuant to a policy of hostility to collective bargaining and the exercise of the rights of labor tomorrow, due to various sets of circumstances, that policy may change and the employers' associations may become negotiatory in character and spirit. Yet, sometime in the future there may be a danger of reversion to early policy. Therefore, it is desirable except the negotiatory employers' associations as a proper and desirable exercise of the rights of employers. But it is also desirable to compel it to submit regularly information in which it will be possible to detect the character of the organization to unlawful conspiratorial practices.

One would not have to go beyond the facts of this part of the report on California to find complete and adequate reasons for passage of this oppressive Labor Practices Act of 1942. The national policy for collective bargaining will never be secured in California so long as the belligerent employers' association, carrying on the practices outlined in the proposed act, can function without fear of severe sanctions. This report sets it clear for all who would read that this is not a theory but a fact.

Therefore, the committee urges that its relative recommendation in the form of the oppressive Labor Practices Act of 1942 be repealed and appraised in the light of recent California history, as summarized in this report. It may well be that collective bargaining as a national policy is accepted in the areas of the country and that organized antiunionism in those areas no longer exists. We do not know and dare not conjecture about California, in the years 1935 through 1942, does not and will not have its counterparts in other areas of the Nation. It is a commonly known and widely accepted fact that many other sections of the country are less sophisticated about democratic labor relations than California, which may be relatively progressive in many aspects. Indeed, in some areas industrial absolutism is the order of the day. When confronted with the necessities and realities of industrial autocracy, the spirit of antiunionism in these areas may well take even cruder forms. Organized antiunionism than has been rampant in California in the years since the passage of the National Labor Relations Act. In any event, the California case history stands as demonstrable proof of the necessity of striking down by national action not only oppressive labor practices but their organized conspiratorial fulmination.

It is safe to say that the principle of collective bargaining will never be secure in California so long as the present bitter conflict continues in its agriculture. So long as collective bargaining is excluded from industrialized agriculture in California, the whole principle of collective bargaining will remain in jeopardy. Our analysis demonstrates that the antiunion association now has its firmest support in the agricultural industry where, through organizational, financial, and economic ties, it continues to menace urban and industrial unions and deprive agricultural workers of their civil rights. This condition cannot be improved unless some statutory protection is extended to the exercise by agricultural employees of the rights of self-organization and collective bargaining.

Collective bargaining, as part III of this report makes abundantly clear, is not the sole answer to California's agricultural problem. It must be supplemented by other measures, such as the organization of the labor market, various types of direct economic assistance to the worker if necessary, the restoration of political rights, and the provision of some degree of economic security. If a beginning can be made in these things while, at the same time, collective bargaining in agriculture is encouraged and protected, the cloud may lift from the future of California's labor relations, industrial and rural.

Yet another ally of organized antiunionism must be appraised on the basis of the California investigation. It is the susceptibility of law-enforcement officials to organized pressures within a community, which may result in the prostitution of law enforcement to antiunion policies. That type of abuse appears all too often in the record of California labor history.

This is not to say that law-enforcement officials should not discharge the responsibilities of their high office in enforcing the laws against violence, property damage, and breach of the public peace. It is to say that law-enforcement officials, in discharging their functions, must be ever wary to avoid becoming the cat's paw of either employer or employee. For these officials to become the willing or unwitting agents of organized antiunionism is to open the door to flagrant injustice and give reason for a most unfortunate disrespect to law and authority. The public should be ever wary of this perversion of police power. It is oftentimes a harbinger of local political tyranny that holds all civil liberty in contempt. Indeed, the best and surest protection against most of the excesses of organized antiunionism, as typified by the belligerent employers' association, is the good sense and vigilance of the general public.

Quite realistically, the forces that seek to maintain industrial autocracy have come to realize in recent years that public opinion is the final arbiter. In times past, they have been able to attack trade-unionism and collective bargaining with a "public be damned" attitude. Now all that is different, and the principal emphasis is upon the "third party" technique. Organized antiunionism will seek indirectly, through public opinion and the acts of public officials in the legislative, executive, and judicial branches, to turn the tide that has been running so strongly against it in the last decade. The antipicketing ordinances, Proposition No. 1 in 1938, and other legislation such as the recently enacted "hot cargo" bill are illustrations of organized efforts toward legislative restriction of trade-union rights and activities. The trend of this legislative drive, if it becomes an indiscriminating wave, will sweep away the rights of labor under color of law at the prompting of organized antiunionism. In the final analysis, it is a keen sense of justice, a constant attempt by the public to be fair, a sharp sense for recognizing misleading propaganda, and added public

support of democratic institutions and practices that are the best hope for a stabilized system of collective bargaining in California.

ROBERT M. LA FOLLETTE, Jr.,  
United States Senator.  
ELBERT D. THOMAS,  
United States Senator.

#### CONTINUATION OF COMMODITY CREDIT CORPORATION

The Senate resumed the consideration of the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

Mr. BARKLEY. I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Alken	Hayden	Reynolds
Austin	Hill	Robertson
Barkley	Holman	Russell
Bone	Johnson, Colo.	Scruggs
Bridges	Kilgore	Shipstead
Brooks	La Follette	Smith
Burton	Langer	Stewart
Butler	Lucas	Taft
Byrd	McCarran	Thomas, Okla.
Capper	McClellan	Thomas, Utah
Caraway	McFarland	Tunnell
Chavez	McKellar	Tydings
Clark, Mo.	Maloney	Vandenberg
Connally	Maybank	Van Nuys
Danaher	Millikin	Wagner
Davis	Moore	Wallgren
Downey	Murdock	Walsh
Ellender	Nye	Wheeler
Ferguson	O'Daniel	Wherry
George	O'Mahoney	White
Gerry	Overton	Wiley
Guffey	Radcliffe	Willis
Gurney	Reed	
Hawkes	Revercomb	

The ACTING PRESIDENT pro tempore. Seventy Senators having answered to their names, a quorum is present.

Mr. BARKLEY obtained the floor.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WAGNER. The able senior Senator from Ohio and I have reported the joint resolution. The Senator from Ohio is familiar with it. I would ask him to explain it, in addition to explaining some amendments he proposes.

Mr. BARKLEY. Before the Senator from Ohio is recognized, I desire to make a very brief statement with reference to the parliamentary status of the measure. I was not present in the Senate, because I had not returned to the city, when the Commodity Credit Corporation extension bill was taken up several weeks ago, and the question of subsidies was injected into it. As originally introduced, the measure provided simply for an extension of the life of the Commodity Credit Corporation, with an increase in the borrowing power of the Corporation; but, as everyone knows, it later became complicated with the question of subsidies; and the President vetoed the bill last week, and the House sustained the veto. Nothing can be gained by going into the bill that was vetoed, or by going into the veto. The House sustained the veto, and it became necessary, unless the Commodity Credit Corporation was to expire, to extend its life.

The House by a joint resolution provided simply for extending the life of the



Commodity Credit Corporation until the 1st of January of next year, practically 6 months from now, and increasing the amount of its borrowing power from \$2,650,000,000 to \$3,000,000,000, and increase of \$350,000,000, on the theory that between now and January, Congress would have time and opportunity to work out more permanent legislation, and probably from the experience which would be gathered between now and that date, would be able to devise a wiser solution of this very complex and difficult problem.

Personally, I should prefer to have the House joint resolution, which is simple, extending the life of the Corporation until January, passed by the Senate. But the Banking and Currency Committee, in session Saturday afternoon and evening, adopted an amendment which was offered by the Senator from Ohio, with some modifications suggested in the committee, placing certain limitations with respect to the amount of money which might be available between now and January 1 for the purposes which have been under discussion. The amendment, which is in the bill, I think amply safeguards the situation with respect to all corporations, both the R. F. C., the Commodity Credit Corporation, the Office of Price Administration, and all others, involved in the enforcement of ceilings and the administration of subsidies. I am informed by those who are responsible and who will be responsible for the enforcement and administration of the act that it can be made to work under the amendments which have been agreed to in the committee and which have been subsequently discussed.

That is all I care to say at this time. I understand the Senator from Ohio desires to explain the amendments which he sponsored and which the committee adopted in the session on Saturday.

Mr. SMITH. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. SMITH. The House did not include subsidies in its proposition; did it?

Mr. BARKLEY. The House joint resolution simply provides for an extension of the life of the Commodity Credit Corporation until the 1st of January. The House did not say anything in the resolution about subsidies; but I may say to the Senator that the theory upon which the Senate committee amended the joint resolution is that without such an amendment, the Commodity Credit Corporation would have unlimited power to exercise the right to contract for subsidies, whereas the amendment which was agreed to would limit the amount which could be used for that purpose.

Mr. SMITH. My understanding was that the House passed the resolution extending the time and giving the Commodity Credit Corporation certain funds with which to operate, without referring to subsidies.

Mr. BARKLEY. That is true; the resolution made no reference to subsidies. But, I will say to the Senator, that does not mean no subsidies would be made. As we all know, without specific authority beyond that already given by laws governing the Commodity Credit Cor-

poration heretofore enacted, payments have been made with respect to subsidies for certain commodities. The amendment offered and agreed to in the committee would limit the amount which could be expended for subsidies.

Mr. SMITH. But it does authorize subsidies; does it?

Mr. BARKLEY. No more than they have heretofore been authorized. It simply limits them.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TYDINGS. At the risk of being repetitious, let me inquire whether I am to understand from the Senator's explanation that if the Senate committee amendment is not agreed to, the Commodity Credit Corporation can engage in the subsidy business without any limitation, but that if the Senate committee amendment is agreed to, the Commodity Credit Corporation can engage in the subsidy business only within the limitations of the Senate committee amendment.

Mr. BARKLEY. It was the theory of those who sponsored the amendment that, without it, the Commodity Credit Corporation would be without restriction as to the scope of its subsidy activities, but that with the amendment in the joint resolution, the Commodity Credit Corporation would be limited according to the terms of the amendment.

Mr. TYDINGS. Then, to state the matter in another way, if one were opposed to all subsidies, and felt that even the emergent circumstances set forth would not incline him to depart from that position, the only way he could register his views would be to vote against the House joint resolution without the Senate committee amendment or to vote against the House resolution even with the Senate committee amendment; is that correct?

Mr. BARKLEY. Of course, if anyone were unalterably opposed to voting for anything that carried a subsidy, either by definition or by implication, the only way he could accomplish his own purpose would be to vote against everything.

Mr. TYDINGS. That is correct.

Mr. BARKLEY. But to do that would be to cause the Commodity Credit Corporation, which everyone admits is doing constructive work, to go completely out of business.

Mr. BUTLER. Mr. President, will the Senator yield to me for a question?

Mr. BARKLEY. I yield.

Mr. BUTLER. I desire to ask a question merely for information. If the Senate accepts the joint resolution as sent over by the House, would the administration be permitted to proceed with subsidies as it has heretofore?

Mr. BARKLEY. I think so. I think that is the interpretation we are bound to place on the mere continuation of the Commodity Credit Corporation, if it is continued in the same way in which it has heretofore operated, with additional funds provided.

Mr. BUTLER. Is it the Senator's understanding that the subsidy program as authorized to date by Congress has affected the production of the needed

critical materials, either mineral, for or otherwise?

Mr. BARKLEY. I should say that so far as Congress has specifically authorized subsidies, one of the objects would be to obtain not only critical materials but ample production of any necessary commodity, whether it be mineral or an agricultural product, that would bring about the desired result.

Mr. BUTLER. I think it is the general understanding of those of us who have been especially interested in this legislation—and the leader himself and I and members of the committee who handled the legislation under which the program is being followed—that the subsidy program in general, if not definitely, is for the purpose of increasing production where it is needed, and not for the purpose of decreasing prices.

Mr. BARKLEY. Of course, there are two objectives in any program of this sort. One is to provide an incentive for increasing production, and the other is to keep the cost of living from getting out of hand by a method which would prevent what we call the continuing spiral, so as to prevent it getting out of hand, where it could not be controlled not only as to prices, but as to wages and other things which must be taken in consideration in respect to any increase in cost to the consumer of the commodities which he is compelled to buy. There are two prongs to the question and it is difficult to separate them entirely.

Mr. BUTLER. The amendment is intended to be proposed to the joint resolution as it is now before us is for the purpose of making it definite that the subsidy program should not be put in reverse, so to speak, and its purpose made to reduce prices instead of to increase production.

Mr. BARKLEY. I do not know to which amendment the Senator is referring. If he is referring to the committee amendment—

Mr. TAFT. I believe the Senator is referring to subparagraph (f) on page 10, which the Senator from Alabama [Mr. BANKHEAD] proposed when the question was before us earlier.

Mr. BARKLEY. That is in the amendment adopted by the committee. I do not care to go into the details of the amendment because the Senator from Ohio [Mr. Taft], who was on the conference committee representing the Senate in connection with the bill which was vetoed, and who has had numerous conferences with the administrators of various agencies which will administer the law, will undoubtedly give an explanation of the amendment which he proposed and which the committee accepted.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. MURDOCK. I should like to ask the Senator a question. When we recently voted on this question the Senate very definitely voted against subsidies and roll-backs. The bill then went to the House, and after a conference it went to the President, who vetoed the bill as it passed the Senate. Then it came back to the House, and the House refused to



override the Presidential veto. The House was then confronted with the expiration of the life of the Commodity Credit Corporation. The Senate is confronted with that question today.

As I see the picture, the Congress definitely took a position against roll-backs and subsidies. As I see it, following the Presidential veto and the refusal of the House to override it, today the Senate finds itself in this position: We can adopt the House joint resolution as it comes to us from the House. In that form it has nothing to do with subsidies. Or we can adopt the Taft amendment, which not only authorizes subsidies on the part of the Commodity Credit Corporation, but also subsidies by the Reconstruction Finance Corporation, the only limit being \$50,000,000 up until January 1, 1944.

In view of the congressional policy already voted on, would it not be more consistent to pass the House joint resolution as it came to us from the House, putting ourselves in the position of saying to the executive department, "If you will want to continue your subsidies and roll-backs, even in the face of what the Congress has done, and take full responsibility for them, all right"? In my opinion, if we should vote today to pass the House joint resolution as it came to us, the Senate would find itself in that position, and in my opinion we could thus avoid consenting to either roll-backs or subsidies.

Mr. BARKLEY. Let me say to the Senator from Utah that I agreed with his position, and so voted in the committee.

Mr. MURDOCK. I know the Senator

Mr. BARKLEY. I still think that the simpler and better way would be to pass the House joint resolution continuing the Commodity Credit Corporation for 6 months, with an increase in the amount of money which it may borrow and use.

The Senator from Ohio [Mr. TAFT] and other Senators who cooperated with him took the position, as sponsors of the amendment, that a simple joint resolution continuing the Commodity Credit Corporation would place no limitation with respect to the amount of money which might be spent, or the commitments which might be made in regard to subsidies. Desiring to place a limitation on the amount, and on the time element involved in subsidies, the committee adopted the amendment over the vote of the Senator from Utah and myself, and other Senators who were in the minority. Of course it is true that the Congress could take the position that it has declared against subsidies. It declared against subsidies in such language and under such terms that the President was compelled to veto the bill. The House has refused to override that veto. Therefore the responsibility now rests on the Executive to carry out his program during the period of the life of the Commodity Credit Corporation. I do not feel that it is necessary for Congress completely to wash its hands of the problem merely because the Presidential veto was not overridden. I say that without yielding any position that it would be better to

pass the House joint resolution without amendment. However, if it desired to restrict the exercise of the power of the President and the Commodity Credit Corporation, acting under the R. F. C., to pay out money or to contract for the payment of money on subsidies, this amendment accomplishes that purpose.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. DANAHER. I wish to ask a question of the Senator from Utah [Mr. MURDOCK], which does not involve the Senator from Kentucky. Has the Senator from Kentucky concluded?

Mr. BARKLEY. I have concluded. I yield the floor.

Mr. DANAHER. I should like to ask the Senator from Utah what his understanding is as to where the President would get the funds to continue any subsidy program, were we to pass simply the language which came over from the House in House Joint Resolution 147.

Mr. MURDOCK. Mr. President, the Executive could declare anything either a critical or strategic material, and then tell the Loan Administrator, Hon. Jesse Jones, "I want \$500,000,000 or \$1,000,000,000, or any amount you can dig up under the law. I am going ahead with these subsidies, now that I have declared this material to be strategic or critical."

Mr. DANAHER. So the only limitation in the mind of the Senator from Utah, as I gather from his answer, is the authorized borrowing power of the R. F. C.

Mr. MURDOCK. Yes. I think that whatever the R. F. C. or its subsidiaries can dig up constitutes the only limit on the President's program of subsidies.

Mr. DANAHER. I thank the Senator from Utah.

Mr. MURDOCK. I am hopeful that the Senator will not only thank me, but will agree with me.

Mr. DANAHER. I agree with the Senator from Utah to the extent that were we not to impose some limitation, we would open the door wide, without the slightest limitation whatever, provided only that section 2 (e) of the original Emergency Price Control Act were to be construed as the Senator from Utah says it might be construed.

I do not share that particular view, because I think there are two limitations contained in section 2 (e) of the original Emergency Price Control Act. But, Mr. President, because of the very view which the Senator has expressed, many of us have had fears which resulted in the adoption by the committee of the amendment sponsored by the Senator from Ohio [Mr. TAFT]. Incidentally, it represents the consensus of many views, which fact has resulted in a majority of the committee adopting and thereafter recommending the amendment.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. MURDOCK. When the Senator says "we open the door," does he not mean the door is already open? Under the present law the door is open now, and the only limit on the width of space the door is open is provided by the abil-

ity of the R. F. C. to obtain money to supply for the subsidy program. I ask the Senator if I am not correct in my statement that today that is the only limitation under the law as construed by the executive department, namely, the ability of the Reconstruction Finance Corporation and its subsidiaries to dig up the money?

Mr. DANAHER. Answering the question of the Senator specifically, I will say that so far as the money limitation is concerned, the answer is "Yes." However, Mr. President, I do not wish to engage in a general explanation of the committee amendment. Quite the contrary, I believe that is the function of the Senator from Ohio, who, in my judgment, is entitled to the support of the committee and of the Senate in what he has to say. I interrogated the Senator from Utah merely on the point he first emphasized, in order that the entire limits of the situation might be before us. I thank the Senate for the opportunity of speaking.

Mr. MURDOCK. I thank the Senator.

Mr. TAFT. Mr. President, I ask unanimous consent that the formal reading of the joint resolution be dispensed with, that it be read for amendment, and that the committee amendments be first considered.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

Mr. GEORGE. Mr. President, is the Senator from Ohio about to explain the joint resolution before we go ahead?

Mr. TAFT. Mr. President, the joint resolution itself hardly requires explanation. What I should like to explain are the amendments as presented by the committee.

Mr. GEORGE. Very little of the measure as it came from the House is left.

Mr. TAFT. It is all here except section 4.

Mr. GEORGE. What I meant was that what the Senate Committee on Banking and Currency has inserted is far longer in sections and subsections than what has been left of the original House text.

Mr. TAFT. The Senator from Georgia is entirely correct, but it seems to me that the proper way to proceed is to consider the committee amendments, one after another. There are three committee amendments.

The ACTING PRESIDENT pro tempore. The first committee amendment will be stated.

The first amendment of the committee was, on page 2, line 4, to strike out:

SEC. 4. Section 22 (g) of the Federal Reserve Act, as amended (12 U. S. C. 375a), is hereby amended by adding at the end thereof the following: "This subsection shall not apply to loans which the Commodity Credit Corporation has agreed to take over or purchase."

Mr. TAFT. Mr. President, the amendment was in the original bill previously passed and was contained in the conference report as adopted by both Houses. However, since the passage of that bill and the veto, we have received very strenuous objection from the Federal



Reserve, the senior Senator from Virginia, and the Comptroller of the Currency. The purpose of the proposed section was that the provision that banks cannot loan to their own officers should not apply when 100 percent of the loan was guaranteed by the Commodity Credit Corporation, and was entirely an obligation of the United States. In effect, such a loan was one by the United States to one of the officers of the bank, instead of to the bank. However, the Federal Reserve Board feels they have steadily tightened the rules relating to the loaning of money by the banks to their own officers and directors, and therefore they regard the House language as a backward step. The committee on the whole felt it was desirable that the section be eliminated, since its importance would not justify action contrary to the general policy upon which the Federal Reserve Board has been insisting.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment on page 2, line 4. The amendment was agreed to.

The next amendment of the committee was, on page 2, after line 16, to insert a new section, as follows:

SEC. 5. Notwithstanding the provisions of section 2 (e) of the Emergency Price Control Act of 1942, or other provisions of law, neither the Commodity Credit Corporation, the Reconstruction Finance Corporation, its subsidiaries, nor any other Government-owned corporation, shall pay any subsidies or purchase any commodities for the purpose of selling them at a loss, or borrow any money to be used for such purpose, nor shall any appropriation heretofore or hereafter made by the Congress be used for any such purpose except as provided in this section or hereafter expressly authorized by the Congress.

(a) The Reconstruction Finance Corporation is authorized to borrow money and pay to shippers of commodities or others the increased costs of transportation resulting from the war emergency.

(b) The Reconstruction Finance Corporation is authorized to borrow money and to pay subsidies relating to, or purchase for the purpose of selling at a loss, strategic and critical materials necessary to the manufacture of equipment and munitions of war for the United States Government or any of the United Nations, and to subsidize the high-cost production of minerals to increase the production thereof; *Provided*, That in any case in which a commodity is domestically produced, the powers granted to the Reconstruction Finance Corporation by this subsection shall be exercised with respect to importations of such commodity only to the extent that, in the judgment of the Reconstruction Finance Corporation, the domestic production of the commodity is not sufficient to satisfy the demand therefor. Nothing in this section shall be construed to modify, suspend, amend, or supersede any provision of the Tariff Act of 1930, as amended.

(c) The Reconstruction Finance Corporation, when requested by the War Food Administrator, is authorized to borrow not to exceed \$350,000,000, and to use or allocate any part of said sum prior to January 1, 1944, to pay subsidies or purchase commodities for the purpose of selling them at a loss, in order to obtain the maximum necessary production of such commodities or to prevent price increases thereof. All commitments heretofore made for such purposes shall be fulfilled out of the sum authorized herein, and no further commitments shall be entered into hereafter with any producers, processors, manufactur-

ers, or distributors which cannot be fulfilled out of said sum.

(d) The Commodity Credit Corporation, when requested by the War Food Administrator, is authorized to borrow not to exceed \$175,000,000, and to use or allocate any part of said sum prior to January 1, 1944, to pay subsidies or purchase commodities for the purpose of selling them at a loss, in order to obtain the maximum necessary production of such commodities or to prevent price increases thereof. All commitments heretofore made for such purposes shall be fulfilled out of the sum authorized herein, and no further commitments shall be entered into hereafter with any producers, processors, manufacturers, or distributors which cannot be fulfilled out of said sum.

(e) The President may transfer any part of the sum authorized under paragraph (c) hereof for use under paragraph (d), or any part of the sum authorized under paragraph (d) for use under paragraph (c). The Reconstruction Finance Corporation may exercise any of the powers conferred herein through any of its subsidiary corporations.

(f) Nothing herein shall be construed to prevent the making of parity payments, soil-conservation payments, or benefits to sugar growers, or the sale of feed wheat, as authorized by existing law; and no reduction shall be made in the price paid to the producers of livestock and the producers of dairy products on account of any reduction or roll-back in the price of any commodity with respect to which subsidy payments are made, and the Reconstruction Finance Corporation shall issue suitable regulations to prevent any such reduction in the price paid to the producers of livestock and the producers of dairy products.

Mr. TAFT. Mr. President, the legislative history of this measure is clear. The Congress passed a bill prohibiting subsidies, prohibiting in particular the roll-back subsidies on meat and butter, which have occasioned the greatest controversy. That bill was sent to the President. The President vetoed it, and returned it to the House of Representatives, where the veto was sustained. The President suggested in his message that the Commodity Credit Corporation should be continued; that if there were time to work out a further compromise measure on subsidies, Congress should do so; if not, Congress should simply pass a joint resolution continuing the Commodity Credit Corporation. The President suggested that representatives of the executive departments would be glad to confer with Congress regarding the development of what might be called a compromise policy.

That policy, Mr. President, has been carried out. We have asked the representatives of the executive department to come before the committee. We have conferred with Mr. Byrnes, Mr. Brown, Jesse Jones, and with Mr. Hutson, the head of the Commodity Credit Corporation, who also acts as representative of Mr. Marvin Jones, War Food Administrator. We have tried to work out a policy in which I myself do not believe, but which it seems to me we are called upon to adopt if we are to deal at all constructively with the situation.

It is suggested that Congress should say, "It is the responsibility of the executive department; go ahead, spend \$2,000,000,000, \$3,000,000,000, or whatever you may want to spend; that is your responsibility; we have no responsibility."

Mr. President, we have not taken that position in any instance involving the appropriation of money during the present session. We have seriously assumed the responsibility of seeing to it that money is not spent by the executive department in greater sums than we desire to have it spent. It seems to me we have just as much responsibility to limit the amount of money which may be required for subsidies as we have to limit the amount of money which may be required by way of appropriations.

Mr. MURDOCK. Mr. President, will the Senator yield to me?

Mr. TAFT. I yield to the Senator from Utah.

Mr. MURDOCK. Can the Senator point out any control or restriction which we exert on the Reconstruction Finance Corporation in the financing say, of the Bureau of Economic Warfare or of any other agency that the R. F. C. want to finance or any plants they may want to build? I do not recall any except a limitation of the obligations which the Reconstruction Finance Corporation may create.

Mr. TAFT. We have, however, limited them as to what they may do in the case of plants having directly to do with the war effort. We have given them, I think, much too broad powers, if you please, and we are in this box today because Congress has passed laws which were not regarded as money laws, but simply laws giving general powers to this Government corporation.

My real interest in this bill is found in the first clause of section 5.

Notwithstanding the provisions of section 2 (e) of the Emergency Price Control Act of 1942, or other provisions of law, neither the Commodity Credit Corporation, the Reconstruction Finance Corporation, its subsidiaries, nor any other Government-owned corporation, shall pay any subsidies or purchase any commodities for the purpose of selling them at a loss—

Which, of course, is another method of paying subsidies, in effect—

or borrow any money to be used for such purpose, nor shall any appropriation heretofore or hereafter made by the Congress be used for any such purpose except as provided in this section or hereafter expressly authorized by the Congress.

The purpose of that provision is to reverse the burden of proof. If we can once do that, then, when the money runs out, whatever money may be provided, not another cent can be spent until the corporation comes back to the Congress and asks for additional money, just as the Departments have to do in the case of every other appropriation with which Congress has to deal.

We have got ourselves in this position by passing laws granting powers which are too broad. As it stands today, the Commodity Credit Corporation can pay subsidies; the Reconstruction Finance Corporation can pay subsidies. There may be some question as to the legality of the manner in which they paid the roll-back subsidies, but they have a legal argument to support them, and I do not know who can question their actual carrying out of the policy which they have announced.



So it seems to me, unless we have some such provision, if we should adopt the House joint resolution, in effect, saying, "All right, Mr. President, we have no further interest; do as you please," there is nothing, so far as I can see, when we return to Washington after the recess, that will prevent our being committed to a subsidy burden of \$2,000,000,000, or \$3,000,000,000, or any other figure.

Not only that, but I do not believe anybody will ever come to Congress again and ask for money for subsidies; the question will never be before us, for the simple reason that there will be no reason for such a request. Under existing laws, the executive authority can act and freely spend the money they want on subsidies. That is a procedure I want to have stopped.

I was disappointed when Mr. Byrnes last Saturday appealed to the Banking and Currency Committee to do just that: "Leave it to us; we will handle it all right," because it seems to me to show a desire to go ahead and continue an unlimited subsidy as the Executive Department might desire. Since then, however, I have been informed that Mr. Byrnes, Mr. Jones, and Mr. Brown approve the joint resolution which is now before the Senate, with one or two amendments, which I shall later suggest, and that they personally will recommend the approval of the joint resolution to the President. Mr. BUTLER. Mr. President—

The ACTING PRESIDENT pro tempore. Does the Senator from Ohio yield to the Senator from Nebraska?

Mr. TAFT. I yield.

Mr. BUTLER. In line with what the Senator from Ohio was saying as to the effect of the committee proposal, if adopted, in limiting the amount which could be spent on any particular subsidy program, take, for example, the proposed roll-back program on meat, which in part becomes effective today, as I understand, and which, if the pending measure should pass would continue in effect until December 31. Does the Senator think it would be possible then to discontinue the roll-back program until additional money was appropriated?

Mr. TAFT. It is just as possible to discontinue it on the 1st of January as it is to discontinue it today. It can be discontinued by simply raising the price of meat to the consumer, or, in the case of butter, by raising the price of butter to the consumer. It can be discontinued at any time. There is no difference between discontinuing it tomorrow and discontinuing it the 1st of January, so far as I can see.

But my own feeling as to the continuance of the subsidy program is this: If when we return here in October we find, through the operation of subsidy programs and other policies the Government has succeeded without serious interference with production and that prices that are approximately on the same level, it is probable that Congress will approve continuation of the subsidy program.

If, on the other hand, as I fear, when we return, in spite of the subsidy program, prices have increased 1 percent a month, as they have been increasing, it will make clear that the subsidy pro-

gram, after all, cannot accomplish that purpose, and it may also become clear that even if that purpose is accomplished it has interfered with the production of essential foodstuffs. In effect this measure says "You may continue this program until the 1st of January, but if the R. F. C. wishes to continue the program it must come back to Congress and ask for additional authority to go on in the year 1944." If we do not pass this measure, they can go on indefinitely, and not only that, they can extend it to every other agricultural product, and gradually expand the subsidy program.

Mr. O'MAHONEY, Mr. WHITE, and Mr. McCLELLAN addressed the Chair.

The ACTING PRESIDENT pro tempore. Does the Senator yield, and, if so, to whom?

Mr. TAFT. I yield to the Senator from Wyoming, who, I think, was first on his feet.

Mr. O'MAHONEY. Mr. President, there has been a good deal of confusion with respect to the discussion of roll-backs because the interpretation of the meaning of that word has not been the same by all persons who have taken part in the discussion. When the representatives of the producers ask for the abandonment of the roll-back program what they are concerned about is not that the cost of living shall not be reduced; it is simply that the returns of the producer of agricultural commodities shall not be reduced below the cost of production.

In the hearing before the Banking and Currency Committee, which was held Saturday afternoon, and which I was privileged to attend, former Senator Brown, speaking for the O. P. A. said, if I understood him correctly, that it was not the purpose of O. P. A. to operate the subsidy program in such fashion as to reduce the return to the producers. The amendment which the Senator from Nebraska [Mr. BUTLER] and I offered last Saturday and asked to have lie on the desk and which was considered by the Banking and Currency Committee and rejected, was intended to bring about the objective of stopping a roll-back on the producer. We offered the amendment in the belief that it was absolutely essential to guarantee to the producers of agricultural commodities that their returns shall not be touched if we hope to obtain the agricultural commodities which are necessary to feed the consumers.

Now I ask the Senator would there be any objection to the inclusion in the committee amendment of language which would write into the law the announcement which has been made by those who will have in charge the administration of this proposed act?

I call attention to the fact that when I presented the original amendment last week, I inserted in the Record a letter from Mr. Burke, the assistant O. P. A. Administrator, in which he stated that the price cut on meat and milk of 10 percent was not intended to deprive the producer of the returns he was then getting.

Mr. TAFT. Mr. President, the difficulty with the amendment submitted by

the Senator from Wyoming and the Senator from Nebraska yesterday, and the amendment which they are considering offering today, is that it provides that the carrying out of existing subsidy programs may be completed, except that roll-back programs with respect to milk and livestock and their products shall not be continued beyond July 31, 1943.

That was the exact provision contained in the bill which was passed by both Houses, and it was the exact provision which brought about the veto of the bill. Consequently, if it is inserted in the pending bill, there is no question whatever that the President will veto the bill, and, and as we probably will have left Washington by that time, it will mean the destruction of the Commodity Credit Corporation.

I cannot see any justifiable reason for Congress undertaking to repass the same bill which was previously passed. As I understand, the Senator says that what Mr. Brown stated was that there was no intention to roll the price back on the producer. He said in so many words, that that was not the purpose, and we have provided on page 5, line 6, that "no reduction shall be made in the price paid to the producers of livestock and the producers of dairy products on account of any reduction or roll-back in the price of any commodity with respect to which subsidy payments are made, and the Reconstruction Finance Corporation shall issue suitable regulations to prevent any such reduction in the price paid to the producers of livestock and the producers of dairy products."

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. If the Senator will excuse me for a moment—the greatest difficulty has arisen because the roll-back subsidy on meat was most ineptly carried out, and that undoubtedly had the effect not only of rolling back on the producer, where the roll-back was supposed to stop, but it went on to the price of cattle.

I do not think that is a necessary incident to a roll-back program, and the Senator from Alabama [Mr. BANKHEAD] offered an amendment, and he told the Senate when the bill was here before that he offered it as an amendment to a committee amendment similar to that now under consideration. We have provided that every possible step shall be taken to accomplish the purpose we indicated. That is not difficult in the case of something on which a price is fixed, like butter. There has not been any trouble on the part of the producer of butter, as I understand, except in the case of the small farmer cited by the Senator from Vermont [Mr. AIKEN]—

Mr. AIKEN. May I interrupt the Senator?

Mr. TAFT. In which case the original price fixed, as in the case of cattle, is more difficult to handle, and yet Mr. Jones and Mr. Brown themselves say they can make suitable regulations to prevent any such result. But if we merely try to accomplish the object by saying there shall be no roll-back program, and that the meat and butter programs shall terminate on the 1st of August, the inevitable result, of course,



will be a veto. There is no question about it.

Mr. O'MAHONEY. Will the Senator yield?

Mr. TAFT. I yield first to the Senator from Vermont.

Mr. AIKEN. I should like to ask the Senator from Ohio about the provision that no reduction shall be made to producers of livestock and producers of dairy products on account of any reduction or roll-back, and so on. How does he intend that that provision shall be enforced? I should like to have him tell us how it could be enforced. Suppose the big packing houses go to a farmer and say "The market for cattle has gone up, therefore we have to pay you 3 cents a pound less than we did 2 months ago." That might be the direct result of the roll-back but how is anyone to prove it? How is a provision that there shall be no reduction to the farmer or producer because of a roll-back to be enforced?

Mr. TAFT. I am really not advised how it can be done, and so long as there is a variable price, it is a difficult thing. How are we to assure the producer that he is getting what he is entitled to out of the present price of meat without any roll-back? It is as difficult a problem as to see that he gets the benefit of the roll-back. He would get it if we got a tight enough margin on the processor and saw that he did not have in excess of definite margins.

Mr. AIKEN. I should like to remind the Senator from Ohio that the roll-back on meat was announced while there was a fairly rapid falling market for livestock. All grades of stock were falling then, and cattle and hogs were coming into the market in quantities, so that for the first time the amount coming to the market was equal to or exceeded that of the previous year. It is a very serious question whether, if the administration had not announced this roll-back program and checked that flow of stock into the market, the price immediately would not have been lower today than it is, with the roll-back in effect.

Mr. TAFT. Mr. President, I think the argument made by the Senator from Vermont is interesting, but wholly irrelevant, because if the amendment shall be rejected the roll-back will continue just the same, except that it will not have the protection we have tried to put into the amendment.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. O'MAHONEY. I was about to ask the Senator from Ohio a question similar to that propounded by the Senator from Vermont, because I confess that, to my mind, it is rather difficult to understand how the provision on page 5, beginning in line 6, to which the Senator referred, can be enforced. Let me read it:

No reduction shall be made in the price paid to the producers of livestock and the producers of dairy products on account of any reduction or roll-back in the price of any commodity with respect to which subsidy payments are made.

And so forth. That would have been an understandable amendment if we

had retained the provision of the amendment which I originally proposed, namely, that subsidies should be paid only to producers. But that is out.

The Senator from Nebraska [Mr. BUTLER] and I are not wedded to any particular language to prevent this roll-back upon the producer, and since the committee has adopted this language, open to criticism though it may be, for the express purpose of preventing a loss to the producer, let me ask the Senator whether there will be any objection to the substitution, for the language I have just read, of a sentence somewhat as follows:

Neither the Reconstruction Finance Corporation nor the Commodity Credit Corporation shall adopt any subsidy program unless convinced that such program will not result in reducing the prices to the producers of agricultural commodities.

Mr. TAFT. I think that would be entirely acceptable language. I think it carries out exactly the purpose of this section, and if the Senator thinks the language stronger it is perfectly agreeable to me.

Mr. O'MAHONEY. Mr. President, with the consent of my colleague, the Senator from Nebraska [Mr. BUTLER], I shall move a perfecting amendment, to strike out the words to which I have referred, and substitute the phraseology I have just dictated on the floor.

Mr. MURDOCK. Will the Senator from Ohio yield?

Mr. TAFT. Am I to understand that the Senator proposes to strike out from line 6 to line 13?

Mr. O'MAHONEY. Yes; putting a period after the word "law," and beginning a new sentence on page 5, line 6, and then introducing a new sentence to take the place of the remainder of line 6, all of line 7, all of line 8, and all of line 9, down to the word "made" in line 10, substituting in lieu thereof the language which the Official Reporter will have to read to me, since I did not have it written.

Mr. BARKLEY. If the Senator will yield to me, I call his attention to the fact that while the language he would strike out deals only with livestock and dairy products, upon which there has been a subsidy program inaugurated, the language which he would substitute deals with all sorts of agricultural products.

Mr. O'MAHONEY. Yes; but every statement which has been made to me by those who represent the Commodity Credit Corporation, the O. P. A., and the Office of War Mobilization, agrees that there should be no reduction of the price to the producer of any agricultural product. I am sure from telephone conversations which I have had within the last hour that the Senator will find no substantial disagreement with the language which I have suggested.

Mr. BARKLEY. I am not expressing any disagreement.

Mr. O'MAHONEY. I understand.

Mr. BARKLEY. But I am not certain whether everyone understands that the language which the Senator offers as a substitute covering all agricultural products is in the place of language in the bill which deals with only two products.

Mr. TAFT. I should like to have the language of the Senator's amendment again read.

Mr. O'MAHONEY. I will consult the Official Reporter. Let the Official Reporter read the language.

The Official Reporter [Mr. Rhodes] read as follows:

Neither the Reconstruction Finance Corporation nor the Commodity Credit Corporation shall adopt any subsidy program unless convinced that such program will not result in reducing the prices to the producers of agricultural commodities.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. VANDENBERG. Does the Senator from Wyoming think that that language is stronger than the directive to the Reconstruction Finance Corporation that it shall issue suitable regulations?

Mr. O'MAHONEY. I am not striking out that language; it remains in the bill.

Mr. VANDENBERG. What does the Senator add except merely to say that the officials of the R. F. C. and C. C. must be convinced that they are going to do something that they say they are not going to do?

Mr. O'MAHONEY. I wish to write into the law and make clear that the Congress understands that that is what is intended, and I am substituting my proposal for language which obviously is unenforceable, as the Senator from Vermont [Mr. AIKEN] has clearly pointed out.

Mr. VANDENBERG. If the able Senator from Wyoming will give about 10 extra minutes of his notable ability and agility with the English language to work on this thing, I am sure he will devise something better than a mandate that the officials in question shall convince themselves that they shall not do what they say they will not do.

Mr. O'MAHONEY. For the moment, Mr. President, I am satisfied with the acceptance by the spokesman for the Committee on Banking and Currency of an amendment which I have offered.

Mr. TAFT. Mr. President, I think the effect of the amendment is the same as the language of the bill, except that it extends the prohibition with respect to livestock and dairy products to all commodities. I am perfectly willing, and I think all members of the committee would be willing to accept that extension. I think it should be pointed out that it does not prohibit possible roll-backs of agricultural prices such as, for instance, pieces of fresh vegetables, but it prohibits the use of subsidies to accomplish that purpose.

Mr. O'MAHONEY. That is correct.

Mr. TAFT. Which I think is a perfectly sound principle.

Mr. O'MAHONEY. That is correct.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. MURDOCK. I should like to ask the Senator from Wyoming if the language now in the bill does not do exactly what the Senator wants to do for livestock and dairy products?

Mr. O'MAHONEY. No, Mr. President; if the Senator from Ohio will permit me



to occupy the floor in his time, it does not do so effectively. It is true it announces that policy, but it is perfectly impossible of enforcement. The price which is paid to the producers of livestock is under the language of the bill a matter which is altogether beyond the control of the R. F. C. In my proposed substitute I provide that whatever is within the control of the R. F. C. and the Commodity Credit Corporation shall be dealt with in their judgment in such a manner as not to bring about reduction in prices.

Mr. MURDOCK. Will the Senator yield further?

Mr. TAFT. I yield.

Mr. MURDOCK. Is the Senator's objection based on the fact that the Commodity Credit Corporation is not included in the language of the bill?

Mr. O'MAHONEY. No; my objection is that the provision "and no reduction shall be made in the price paid to the producers" is unenforceable, because it is not the action of the R. F. C. or the Commodity Credit Corporation under the language of the committee amendment as it is now drafted, which would control the price. As the Senator from Ohio [Mr. TAFT] just said, my amendment declares that no subsidy program shall be adopted for the purpose of reducing the price. It makes effective the objective which is not effective under the language of the measure reported by the committee.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Vermont.

Mr. AIKEN. I wish to ask the Senator from Ohio if he has any assurance from the representatives of the executive departments, Mr. Brown, Mr. Byrnes, and others, that they do not intend to embark upon further subsidies—an extension of the subsidy program.

Mr. TAFT. They have given me no assurance of that kind. In fact, the money provided for in the measure would probably authorize some additional subsidy programs broad enough to cover the existing program. The Senator will remember that the program for meat and butter will cost about \$450,000,000, according to former estimates, which would be \$225,000,000 for 6 months.

On the other hand, it is necessary to commit one's self ahead to some extent, so that the \$350,000,000 not only covers the actual expenditures during the next 6 months, but must cover a month or two beyond that time, because the program cannot simply be arbitrarily terminated even on the first of a given month. It must be worked in with the crop season and the assurance given by the producers.

Mr. AIKEN. The reason I ask the question is that the appropriation made in the bill amounts to \$525,000,000 for the 6-month period. That is \$1,050,000,000 a year. The administration spokesmen or supporters who came before the Committee on Agriculture and Forestry testified that they thought the whole program of rolling back prices of every-

thing would cost the Government approximately \$2,000,000,000 a year. The Senator will also recall that one of the reasons given by the President for vetoing the bill which was passed by Congress was that he would be unable to extend the program further if that bill became law. That is why I asked if the committee had any assurance at all that even were the so-called compromise amendment adopted, the administration did not intend to go ahead with the whole program for which it had originally planned, and a part of which it had put into effect without the consent of Congress.

Mr. TAFT. The Government cannot go ahead with the full program of \$2,000,000,000, to which the Senator from Vermont refers, because the committee amendment provides that no further commitment shall be entered into beyond the dollars which are stated in it, and that is \$350,000,000, plus \$175,000,000 to the Commodity Credit Corporation, or approximately \$525,000,000 to the 1st of January. As a matter of fact, under the circumstances I think that amount must do them for about 9 months. I would say that the program here presented of \$525,000,000 was equivalent to a total subsidy program on an annual basis of approximately \$700,000,000, as I figure it, because the \$175,000,000, for instance, granted to the Commodity Credit Corporation represents practically the entire subsidy for the whole crop year 1943 on beans and oils and various other products.

The officials in charge of the program have asked us to let them go ahead with respect to the whole 1944 crop, which they figure would cost about \$175,000,000 on an annual basis for the entire year. The R. F. C. program I think would probably operate on the basis of the \$350,000,000 proposed to be provided, which would amount, approximately, to from \$550,000,000 to \$650,000,000 a year, and I do not see how the agencies involved can go further than that, or get anywhere near the \$2,000,000,000 figure to which the Senator has referred, without specific further authorization from Congress.

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. McCLELLAN. The primary purpose of the joint resolution passed by the House, which we are considering, is to extend the life of the Commodity Credit Corporation until January 1. In view of that limitation of time, unless the Congress shall again act, the Commodity Credit Corporation, after January 1, would again expire. As I understand, the effect of the committee amendment, beginning with section 5, is to place a limitation or restriction on existing law until January 1, with respect to the payment of roll-back subsidies to reduce the cost of commodities. Is that correct?

Mr. TAFT. It places a restriction on all subsidies of all kinds. It does not attempt to distinguish between different kinds, except insofar as the language for the protection of the producer is concerned. It imposes a general limitation on all kinds of subsidies, so that the next time the question comes up the President cannot veto the bill.

Mr. McCLELLAN. Let me understand clearly one further matter. We agree, do we not, that whatever authority now exists under the law, if any, for roll-back subsidies is contained in section 2 (e) of the Emergency Price Control Act. Is not that the Senator's interpretation of it?

Mr. TAFT. Yes. It might be accomplished in another way, I may say to the Senator, I think.

Mr. McCLELLAN. But does not the O. P. A. claim authority under section 2 (e) of the Emergency Price Control Act for the program now in effect?

Mr. TAFT. Yes.

Mr. McCLELLAN. Is not that the source of the authority?

Mr. TAFT. Yes; that is the source of the authority.

Mr. McCLELLAN. Assuming that the committee amendment is agreed to, and that the joint resolution as thus amended is passed, would not the authority under section 2 (e) be in effect after the first of January?

Mr. TAFT. No; section 5 says very clearly, "Notwithstanding the provisions of section 2 (e)."

Mr. McCLELLAN. But the amendment would limit the time.

Mr. TAFT. There is no limitation of time. The first provision of section 5 is all-inclusive, for all time to come: "Notwithstanding the provisions of section 2 (e)," they shall not do any of those things, without provision by Congress of express authority. Then we provide express authority only for the year 1943.

Mr. McCLELLAN. Let me ask a further question, in order to clear up the matter: Is it the Senator's interpretation of the committee amendment that, by enacting section 5, Congress would repeal all authority under section 2 (e) of the Price Control Act, except such as was then conferred by section 5?

Mr. TAFT. That is correct—or by future acts of Congress. In other words, Congress would place section 2 (e) in exactly the condition in which it intended it to be, I think—an authorization bill which could not be carried out without further appropriation by Congress. Congress would revise section 2 (e) in that way, so that in the future Congress would have to appropriate money in order to carry out the provisions of section 2 (e). Otherwise, there would be no money with which to carry out its purposes.

Mr. McCLELLAN. Then, by agreeing to the amendment, the Senate will definitely give legislative sanction to this kind of a roll-back program, whereas at present there is some question about whether such authority actually exists under section 2 (e) of the Price Control Act; is that correct?

Mr. TAFT. The Senator is correct in that there is an interesting legal question. There is no practical question. As a practical matter, there is a roll-back subsidy today, and it will continue indefinitely unless Congress sees fit to take action to stop it.

Mr. McCLELLAN. I agree; and the Congress must take responsibility for continuing the existing authority, if there is any. If there is not, then by the amendment the Senator asks the



Senate to grant authority to legalize what is being done. That is the position in which we find ourselves. I should like to see limitations imposed, if the proposed action is taken. However, since I do not favor the principle, since I think it is a mistake and is something that will lead into a program over which Congress will not have control, and which will go on and on, I oppose the proposal. I do not want to discover that, by having voted for the committee amendments, I have put myself in such a position that later it can be said that I gave my sanction, by vote, for the creation of the system for 6 months.

Mr. TAFT. I would say that the Senator cannot escape responsibility for it. He gave the Reconstruction Finance Corporation \$15,000,000,000, with practically unlimited right to spend the money. Congress passed the Price Control Act with section 2 (e) in a vague and general form, and without absolutely definite provision that more money must be appropriated. Therefore, he cannot escape responsibility for the granting of the powers the Senate has carelessly granted to the Executive. The Senate's job today is to recall some of those powers and to assume some of the responsibility the Congress should have assumed.

Mr. McCLELLAN. Mr. President, will the Senator yield to me for a further observation?

Mr. TAFT. I yield.

Mr. McCLELLAN. When the Senator said that I could not escape responsibility because of the situation—

Mr. TAFT. I was speaking of the Senate as a whole, not of the Senator from Arkansas in particular.

Mr. McCLELLAN. I do not now want to give my approval to what the Senator says was a mistake Congress made when it did not make the provisions more specific. I would not agree to a proposal to remove any question about the authority, and to vote in favor of the principle.

I thank the Senator for yielding to me.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. I agree with the Senator from Ohio, that authority for roll-back subsidies is provided by section 2 (e) of the Emergency Price Control Act, and, as he suggested, by other methods which he did not detail. Whether the Senator had in mind that he did not wish to reveal the other methods, for fear they might be used, of course, I do not know. [Laughter.]

It is true that there is legal authority for what has been done. Regarding the authority, there may be legal dispute, without which the legal profession would have to go out of business, for it could not continue to live without the existence of disputes requiring interpretation of the law. However, I think all will agree that, regardless of what may be the authority under section 2 (e) or under any other general legislation, all the committee amendment would do would be to restrict or modify the authority; and we all understand that the modification is proposed to any authority heretofore conferred on the agencies to engage in

the program without limit. Am I correct?

Mr. TAFT. I think the Senator is entirely correct about that.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. TYDINGS. I am not familiar with what went on in the committee room. I have listened to the debate today in the hope of gaining sufficient information to enable me to vote intelligently. I have listened to what the Senator from Ohio has said in his colloquy with the Senator from Arkansas. I rise to ask why the date of January 1, 1944, was selected for ending subsidies, rather than August 1, or September 1, 1943.

Mr. TAFT. For the reason that the joint resolution the House passed and sent to the Senate runs to December 31, 1943. The House selected a 6 months' period, and we tried to work out the figures accordingly.

Furthermore, we thought that if Congress reconvened on the 15th of September, as I understand is intended, it might be rather difficult to obtain any legislation for a month or 6 weeks, and it might well be November before any further legislation could be enacted.

Mr. TYDINGS. My purpose in inquiring of the Senator was that I thought perhaps the O. P. A. had made some commitments in advance which would require Congress in good faith to provide for such a term.

Mr. TAFT. There was no special significance in the date selected, so far as I know.

Mr. BARKLEY. Mr. President, if I may interrupt, I should like to say that it was recognized in the House that the life of the Commodity Credit Corporation could well be extended for 6 months, let us say; because if the extension were made only to the 1st of September or the 1st of October, Congress then would be faced with the necessity of extending its life again, and the program would be extended with the extension of the life of the Commodity Credit Corporation.

Mr. TYDINGS. Mr. President, will the Senator yield further?

Mr. TAFT. I yield.

Mr. TYDINGS. What I desire to ascertain is whether the subsidies of the O. P. A. has inaugurated should not be considered in connection with the desire to extend the life of the Commodity Credit Corporation to the 1st of January. Why should not the Congress provide for termination of both within 6 months, and end them? Unless the O. P. A. has made commitments which we might feel morally bind the Government to continue the program until January 1, 1944, it seems to me that the logical and forthright way to end the subsidy business, if we want to end it, is to fix a date, say August 1, 1944, rather than to have 5 extra months.

Mr. TAFT. As I pointed out, if we were to terminate it at that date, the bill would be vetoed. The reason the Commodity Credit Corporation bill was vetoed was that we terminated the roll-back subsidies on the 1st day of August.

I do not see any escape from the perfectly logical conclusion. Whether the period be 4 months or 6 months, or whether the amount be \$250,000,000, \$300,000,000, or \$350,000,000, is not important. The Banking and Currency Committee has finally agreed on these dates with representatives of the executive department in an effort to obtain an agreement, as suggested by the President. Perhaps we have been somewhat liberal. I am willing to be liberal if I can once establish the principle that when this money runs out, whenever it is, the administration will have to come back to Congress and ask for authority to continue the program. Then we shall be in a position in which the President's veto will make no difference; and Congress can decide, by a majority vote, what program it wishes to continue.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. TYDINGS. I see the force of the Senator's position. In other words, his position is that, all things considered, this is the best we can do in the effort to bring about what we want.

Mr. TAFT. And considering the powers which we have already granted in such liberal profusion.

Mr. TYDINGS. My fear is that in going along with that philosophy we shall have incubated the subsidy idea to such an extent that when we arrive at January 1, when it is to end, there will be a demand all over the country that it be continued, and even enlarged and extended.

Mr. TAFT. What does the Senator think is the present effect in the country at large? It is that the Congress, by refusing to override the President's veto, has authorized subsidies. That is the reaction throughout the Nation.

Mr. TYDINGS. That is correct.

Mr. TAFT. The Congress assumes the responsibility. Why? Because two-thirds of the House could not be mustered to override the President's veto. Today the people at large consider that Congress has authorized subsidies. If we simply say, "All right; we will go along and continue the Commodity Credit Corporation, and give you exactly what is asked for," the people will have that opinion in even greater degree than they have it today.

Mr. TYDINGS. The Senator's observations give me the opportunity to say that, of course, roll-backs in prices can be achieved without any subsidies. The O. P. A. now has the authority to roll back prices. Obviously they ought not to be rolled back if the relationship between prices and wages will not justify it. They ought to be rolled back when the relationship between prices and wages shows that the prices of one or more commodities are too high. We gave the O. P. A. the authority to keep prices and wages in line. I dislike to depart from what I think was an honest approach to this problem by saying, "Yes; you may do as you wish." It will be said, "If we can do it for agriculture we can do it for labor; we ought to give labor a subsidy." If we get into the subsidy business, God knows where we will ever



emerge. I wish we could have limited it. Even in view of what the Senator has said, which I think makes sense, as a practical consideration I wish we could have limited it to the 1st of August 1944, and ended all commitments.

Mr. TAFT. Mr. President, I wish to point out why there would be unlimited money if we should not act. We have authorized the Commodity Credit Corporation to borrow \$3,000,000,000. That is a revolving fund. The corporation had a large amount of cotton. It has gradually sold that cotton. As soon as that money comes back it is available for other purchases. It is available for purchases at a loss, and for indirect subsidies. According to the figures I have, the R. F. C. is even better supplied. It has been authorized to borrow \$15,750,000,000. Practically all of that amount is committed. Nevertheless, that money is all rolling in again. People are paying off the loans which the R. F. C. has made to them. So if out of \$15,000,000,000 which it has had \$1,000,000,000 or \$2,000,000,000 comes in, that represents only the normal course of its operations. That whole sum is again available to use for subsidies, or indirect financing of this kind of purchases.

So with the powers we have given that agency, we have opened the doors wide. If we do not take some action, I cannot see any limit to the size of the subsidy program. If we should have a program equivalent to that of England, it would require more than \$2,500,000,000 the first year. Unless our control were stronger, the second year it would require \$4,000,000,000 or \$5,000,000,000 a year.

So I am interested in stopping it now, and letting Congress determine, if the administration decides to ask for any extension of the program, whether it will grant such extension.

Mr. RADCLIFFE. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. RADCLIFFE. I should like to to make a comment which is somewhat in the nature of an inquiry of the Senator from Arkansas [Mr. McCLELLAN].

I understood the Senator from Arkansas to say a few moments ago that he objected to the pending committee amendment because he is opposed to the roll-back since he thinks it is probably not warranted by law, and that if we should adopt the committee amendment, it would be more or less of a ratification of the application and principle of the roll-back. Is that correct?

Mr. McCLELLAN. That is correct.

Mr. RADCLIFFE. I understand that the Senator from Arkansas is in favor of the joint resolution as it passed the House, which would merely extend the existing statute for a period of time. We all know that under the existing statute the roll-back has been put into operation. So if we were to vote for the House measure as it came over from the House, and should be entirely silent as to the matter of the roll-back, would there not be a ratification or endorsement, by inference, at least, of the principle of a roll-back?

Mr. McCLELLAN. The Senator does not maintain that the roll-back was put

into operation under the Commodity Credit Corporation law, does he? If there is any authority for it, as the Senator from Ohio has said, it emanates from section 2 (e) of the Emergency Price Control Act, and not the Commodity Credit Corporation Act.

Mr. RADCLIFFE. I realize that the Senator from Arkansas does not believe that the authority to apply roll-backs exists.

Mr. McCLELLAN. During these debates many Senators have said so on the floor of the Senate.

Mr. RADCLIFFE. Assuming that the Senator is correct—

Mr. McCLELLAN. The sponsor of the bill which we are now discussing has taken that position on the floor of the Senate. So I am taking the position that if that be true, if those who take that position are correct—and I rather subscribe to it—if we by law actually authorize it, there will no longer be any question about the authority to do the thing.

Mr. RADCLIFFE. Are we not really authorizing it when we vote for the joint resolution as it comes over from the House, which would continue the existing law? We know what has been done under existing law. We know that the program of the roll-back has been put into operation. If we vote for the joint resolution as it comes over from the House, and are entirely silent on the question which has been raised as to authority for a roll-back, might not that reasonably be construed as a ratification or endorsement of the principle?

Mr. McCLELLAN. Not any more so than if I should vote to continue the R. F. C., because the authority for the program, it is contended, is in another law. The R. F. C. is only the agency through which the authority contained in the other law is exercised.

Mr. RADCLIFFE. But if in our vote we should be entirely silent in regard to the question of legality and should merely continue the existing law, I think it might reasonably be assumed that by inference we should be ratifying or accepting the program of the roll-back. We might as well approve expressly the principle as to do so by implication.

Mr. McCLELLAN. I do not think so. I can assure the Senator that he will find, by looking at the RECORD, that I have voted, when I had the opportunity, to try to stop subsidies. I have actually met my responsibility, according to my contentions in that respect. The Chief Executive has done what he conceived to be his duty. We do not agree. Congress did not override his veto. He contended that he had the authority all the time.

Mr. RADCLIFFE. Suppose I direct my inquiry not only to the Senator from Arkansas, but to the Senate as a whole. If the Senate merely accepts the House joint resolution, it seems to me that there is an acceptance of the idea of subsidies, because we know what is being done, and what will probably be done in the future if the House joint resolution prevails. Whether we pass the House version or the committee amendment we will be accepting the principle of the roll-back unless we state expressly to

the contrary. I would rather be direct than indirect.

Mr. McCLELLAN. I do not agree with the Senator, because there is no authority in the Commodity Credit Corporation Act for roll-backs. The Commodity Credit Corporation is only the agency which is used as a means to the end.

Mr. TAFT. Mr. President, I have said all I intend to say.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. LA FOLLETTE. I should like to ask the Senator from Ohio a question. If the Senate should fail to take any action whatsoever, save to authorize the further continuance of the Commodity Credit Corporation, in his judgment would there be any way to prevent the administration from inaugurating with respect to all other commodities roll-back subsidies similar to those which are now employed in connection with butter and meat?

Mr. TAFT. I can see no way by which to limit the amount of money which may be spent on such subsidies.

Mr. LA FOLLETTE. Much as I am opposed to that type of roll-back subsidy, if I vote only to extend the life of the Commodity Credit Corporation I may return after the recess and find that the administration has extended the policy of roll-back subsidies without limit.

Mr. TAFT. The Senator is correct.

Mr. DANAHER and Mr. WHITE addressed the Chair.

The PRESIDING OFFICER (Mr. WALLGREN in the chair). Does the Senator from Ohio yield; and if so, to whom?

Mr. TAFT. I yield first to the Senator from Connecticut.

Mr. DANAHER. There is one other thought which it seems to me should be conjoined with what the Senator from Wisconsin has said, and that is that limitations contained in sections 5 (c) and 5 (d) would operate constantly on every single dime proposed to be appropriated by the joint resolution. Is that not so?

Mr. TAFT. That is correct.

Mr. VANDENBERG. Mr. President, may I ask the Senator from Ohio if it is his considered and final opinion that a total of \$525,000,000 is necessary for the 6 months' period?

Mr. TAFT. It is my considered opinion that \$175,000,000 is absolutely necessary for the Commodity Credit Corporation. My amendment as it was offered in the committee provided \$250,000,000 for the Reconstruction Finance Corporation. It was suggested that the amount should be somewhat larger, and the committee, by a rather substantial vote, decided that it should be. I did not care particularly. I was more concerned with the principle than with the amount. The program actually presented to us could be taken care of with a sum between \$250,000,000 and \$300,000,000.

Mr. VANDENBERG. So anything beyond that figure is an invitation to a further expansion of the very system which we hold under suspicion.

Mr. TAFT. It would make it possible.



Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BARKLEY. In that connection it ought to be stated that the price control Administrator stated that the program contemplated by these figures up to this time could be roughly figured at \$268,000,000, and that probably \$40,000,000 or \$50,000,000 more would be necessary during the period, which would run the figure somewhat above the \$300,000,000 mark. It would probably reach \$318,000,000.

Mr. VANDENBERG. That is in addition to the \$175,000,000 for the Commodity Credit Corporation.

Mr. BARKLEY. Yes. So, in order to be on sound ground, the committee fixed the maximum at \$350,000,000.

Mr. TAFT. As I have said before, some subsidies are well justified. For instance, a subsidy for feed costs for dairy products is probably justified. We can never be sure when an emergency will arise, when a justifiable subsidy may be called for. As I have said, I do not know that \$350,000,000 is exactly the figure should be, but I do not think the difference is material.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. TAFT. Mr. President, before taking my seat I wish only to say that I have a number of minor amendments which were suggested almost entirely by the Commodity Credit Corporation, relating to its powers. I will offer them before the amendment is voted on, but I will not do so at the present time.

Mr. AIKEN. Mr. President, does the Senator from Ohio mind telling us now what the amendments are?

Mr. TAFT. I shall be glad to show them to the Senator.

Mr. AIKEN. Are they technical corrections?

Mr. TAFT. I shall be glad to take them up with the Senator. I intend to describe them later. I prefer to postpone offering them for the time being.

Mr. AIKEN. Before the Senator takes his seat may I ask him whether he considers that his amendment would limit the life of subsidies to a 6-month period, as the life of the Commodity Credit Corporation would be limited?

Mr. TAFT. It would limit subsidies except that if money is definitely allocated for subsidies before the 1st of January, in case of the Commodity Credit Corporation, they may be carried out after the 1st of January. In other words, it is intended to cover commitments beyond the 1st of January, within the sum specified.

Mr. AIKEN. Supposing commitments were made covering the next growing season, 1944?

Mr. TAFT. That is a question to be dealt with by one of the amendments which I shall explain later.

Mr. SHIPSTEAD. Mr. President, I find myself in much the same position of embarrassment as to what the Senator from Ohio and other Senators have pointed out. I shall not discuss the details of the joint resolution.

In my own mind I am thoroughly convinced that a general system of sub-

sidies is dangerous to the economy of the country. I know very well that the slogan has been that it has worked very well in England and, therefore, it ought to work in the United States. I am convinced that it cannot work here as it has worked in England. I am convinced of that, and I hope I shall at least give a little gleam of an idea to Members who do me the honor of listening to me.

I wish to return to what I consider was the source of the subsidy idea, as well as many other foreign and domestic policies of this administration.

The administration's insistence on a food subsidy as an instrument of anti-inflation policy or price control is due mainly to the influence of British example and doctrine. The inner circle in Washington, made up of those who constantly see the President and advise him on policy and grand strategy—Harry Hopkins, Justice Frankfurter, and his former star pupils in the Harvard Law School, now his protégés in strategic Government positions, and the New Deal brain trust—this group is the real American Cabinet and War Council. It is they who formulate what are called "directives" which are passed on to the appropriate heads in the Army, Navy, and various other governmental agencies of wartime control. The latter translate these directives and policy decisions of the inner circle into grand strategy for the conduct of the war on the global front and for the conduct of the Nation's war efforts on the domestic front. This inner circle has as its intellectual pivots Justice Frankfurter in Washington and Prof. Harold J. Laski in London. The two governing characteristics of this inner circle are their strong tendencies to what, for brevity, may be called socialism and inflation, or cheap money, and to following recent and current British thought and experience.

Two recent or current examples of the working of this international team in the realm of higher American policy-making may be seen in our Treasury's announced plan for post-war monetary policy, roughly paralleling, with minor differences, that of Lord Keynes, and in the administrations' insistent demands for the use of a food subsidy as an instrument of anti-inflation policy. Recently, Prof. Benjamin Anderson, in a public address on the Pacific coast, raised what was virtually a lone voice crying in the wilderness against both the Keynes or British Treasury, and the Morgenthau or American Treasury, schemes for post-war monetary management. Professor Anderson made the elementary point that the essence of both schemes or plans was cheap money and a rubber dollar.

In the case of food and price control or so-called antiinflation policy, the Washington inner circle shows again its dependence on British thinking and experimentation. The inner circle insists that food subsidies are the golden key to price stability, the sovereign panacea against inflation. That is what the whole policy is based upon. Their chief reason for such insistence on the use of food subsidies is the British example. Their reasoning is simple: if it has worked well for Britain, it must work

well for us. The fallacy inheres in an obvious difference between the British and the American situations, a difference generally overlooked in press and radio discussions of the problem, and a difference which will be bluntly stated at this time. Incidentally, Washington, for propaganda reasons, wishes to have as little as possible mention of this difference. But, when Washington persistently invokes the British example in support of its demand for the use of the food subsidy, Washington must expect to have opponents invoke certain facts which are obvious on any comparison of the American and British situations.

Briefly, here is the big difference between America and Britain in all economic, fiscal, and monetary matters: Britain has a Santa Claus and America has not. Because Britain has a food Santa Claus, the British Government can give to British food growers and to food consumers, as an incentive to larger production by the food growers and as a preventive of higher food costs for workers with its corollary of higher wages, a money subsidy without creating an inflationary danger, provided such money subsidy does not exceed the value of the groceries which the American Santa Claus, officially known as lend-lease, gives the British Government in the same period.

Here are the facts: Last year we gave the British around two and one-half million tons of food worth about \$800,000,000. I read a statement in the press some time ago that it was more than that, but this is the last figure I have. This was about one-tenth of the total British food consumption. Now we are committed to keeping up these food deliveries as well as to giving Stalin three and one-tenth million tons, or over a billion dollars' worth of groceries. The British Government sold these \$800,000,000 worth of groceries to the British people, thus taking that much cash from the people. That is anti-inflationary. According to Lord Woolton, the British food czar, the British Government in the same period used about \$500,000,000 of the \$800,000,000 it took in for the sale of American food to subsidize British food production and distribution, thereby keeping British food prices down and British food production up. Obviously, for a government to take in \$800,000,000 from its own people for food which did not cost it a penny and to pay out \$500,000,000 as a bonus or incentive to food production and preventive of food-price rise, is not inflationary. Quite the opposite. The British Government took in \$300,000,000 more in money than it put out. Thus the British food subsidy was in no sense inflationary. The reason why it was not inflationary was that an American Santa Claus gave the British people \$800,000,000 worth of groceries.

If a foreign Santa Claus would give the United States a billion dollars worth of groceries, which our Government forthwith sold to our people, taking a billion dollars in cash out of their pockets, our Government could then turn around and give back to American food growers and distributors a billion dollars to keep output up and prices down, as did the British



Government. But if the United States Government pumps another billion dollars of money created by the commercial banks creating bank credit to buy Government bonds into the money stream to subsidize either food producers or food buyers, it is fairly certain that this injection of new money into the food market will prove inflationary, since it will be offset by no corresponding windfall of additional food.

The economic case against a food subsidy for the United States is irrefutable either on the basis of theoretical analysis or practical experimentation. The strongest point in this case is that the subsidy method is more expensive and less efficient and less just than the free-market method for bringing supply into balance with demand. We saw that in the last war. The subsidy method undertakes to induce food producers, processors, and distributors to produce, process, and distribute more without the incentive of a higher market price.

To operate a subsidy system you need an army of Government agents and mountains of paper work, investigation, control, and policing. Suppose the farmer is paid a cash bonus for producing more than he produced last year; then each farmer's statement must be checked and double-checked by special investigators. If the farmer is paid a bonus on what he sells, the administrative costs will still be enormous. Such subsidies, to produce appreciable results in the way of increased output, would have to be astronomical in total amount. A governmental subsidy of a few cents a pound on butter would have little effect on total output. Nor would it enable the poor man to compete with the rich patron of the food bootlegger for the available scarce supply. In the bootleg market the rich consumer is prepared to bid not 3 or 5 or even 10 cents more a pound, but 20 or 30 cents.

A food subsidy, to get results, that is, increased output above present levels, would have to be fabulous in total amount and hence wildly inflationary unless entirely successful in achieving a corresponding increase in output. A subsidy big enough to induce increased food output would present staggering administrative and enforcement problems. Such problems can only be solved by a totalitarian dictatorship proceeding along lines now well established by the Soviet and Nazi precedents in similar government undertakings. To toss a few hundred millions of Government money into the present food markets as a supposed inducement to greater output and preventive of higher prices would be a futile gesture.

It must be clearly understood that any government undertaking to operate a substitute system for the law of supply and demand or for the free market is bound to break down unless conducted with the utter thoroughness and ruthlessness of the totalitarian states. The reason why, as explained at length, is that the British seem to furnish an example, refuting the generalization just stated; the British economy is being, and has been now for over a decade, heavily subsidized by the United States through

our purchase of over \$15,000,000,000 of gold from 1933 to 1941 and now by lease-lend. To control prices and production, to control otherwise than through the free market, the state must either bribe or coerce. Trying to bribe with cash subsidies, to succeed, must be wildly inflationary—unless, as in the case of Britain, of course, it is possible to get a huge subsidy from abroad free gratis. To coerce larger output requires inevitably a set-up like that of Soviet Russia. A mild regime of attempted price and production control must break down for much the same reasons prohibition broke down. Effective enforcement is impossible under such a mild regime.

Right now millions of tons of meat are sold to restaurants and hotels above the ceiling prices. The procedure is simple and almost detection-proof. The meat is Government inspected. The quantities delivered are sold at the ceiling price, as is attested by a bill of sale and a check in payment—all for the O. P. A. record. But an additional sum is paid in cash by the buyer to the seller on delivery.

Once traffic in food develops along bootleg lines, the chief losers are primary producers and ultimate consumers and those distributors, storekeepers, or restaurant keepers who, as a practical matter or for moral scruples, cannot or will not indulge in such transactions. There are just two ways to eliminate bootlegging: One is the free market, and the other is the totalitarian way, with an omnipresent Gestapo. A few hundred million dollars subsidy to food growers, processors, and consumers, however dispensed or administered, simply would not touch the roots of the food bootleg market.

A great many monetary, fiscal, and economic measures taken by the British Government over the past 10 years, or since the New Deal jumped the price of gold 70 percent, from \$20.67 to \$35 an ounce, have been either inflationary or socialistic or both. Yet these measures have not had inflationary results or sequels, nor have they required the controls and disciplines which usually go with drastic ventures in state socialism. The popular notion in America, especially in conservative circles or among the so-called best people who have a great cult of Britain, is that such measures when taken by the British are sound or conservative and are neither inflationary nor socialistic in character. The real explanation is almost never stated, and it is apparently understood by very few Americans.

The explanation is that now for a decade the United States has been playing Santa Claus to the British Empire to the tune of around a billion dollars a year. This we did for 7 years by the purchase of over \$10,000,000,000 of gold from the British Empire, the producer of two-thirds of the yearly output of gold of the entire world, and for the past 2 years by lend-lease. By stepping up the price of gold 70 percent and purchasing \$15,000,000,000 of gold from 1933 to 1942, two-thirds of which we bought from the British Empire, and by selling

American foodstuffs and raw materials some 20 to 30 percent below the prices of the 1920's, we made a present to the British Empire each year of several hundred million dollars. This subsidy enabled the British to enjoy the boons of inflation and socialism without undergoing the usual consequences or paying the usual costs. It is all very simple when one stops to consider what actually happened. If one borrows money to go on a spending spree one soon runs into the troubles of anyone who gets head over heels in debt. But if one has a spending spree on a succession of gifts or legacies by friends or relatives one obviously experiences none of the troubles of the embarrassed debtor or the spend-thrift.

The American Santa Claus has made inflation and state socialism safe and practically without cost for the British economy. It does not follow, however, that the same measures and policies can be carried out by a nation like the United States without a corresponding subsidy from abroad and without the costs and consequences which such measures and policies normally involve.

The British have got away with inflation and socialistic measures without the usual costs and sequels, simply because the United States has been subsidizing the British economy for the past 10 years to the tune of several hundred million dollars a year through purchases of gold at 70 percent more than it is worth (or costs to produce) and, more recently, through outright gifts in the form of lease-lend.

To point this out is not to criticize our gold-buying policy, lease-lend, or the inflationary and socialistic policies and practices which our subsidies made safe and easy for the British. It is merely to state an obvious, though little recognized fact. The moral is that America cannot imitate the British in inflationary and socialistic policies and practices with the same results or lack of results encountered in the British experiments with inflation and socialism since 1932. If we go in for such policies and practices, we must expect to be obliged to use the same procedures which similar policies and practices have imposed on Soviet Russia, where they did not have their state investment and socialism program subsidized by foreign gifts. A foreign subsidy to enable the United States to go in for inflation and socialism as Britain has done without suffering the usual consequences, would have to be three times as large as the billion dollar a year subsidy we have been giving the British Empire since we started paying \$35 an ounce for gold instead of \$20.67.

We are three times as large in population. But we, instead of receiving a subsidy from foreign sources, are committed to feeding and financing the British, Russian, and Chinese Empires during an indefinite period of war and post-war world reconstruction. With these commitments, our Government cannot give money subsidies to producers and consumers without inviting the direst evils of inflation. With these commitments, our country cannot continue



paying high prices to labor or keep high profits and raise or even maintain present living standards. The British Government, thanks to the subsidies of the American high price in buying gold and low price in selling food, was able to come out of the depression, not by lowering costs and the selling price of British exports, but by raising British living standards and improving British housing. Even during the present war, thanks to American lease-lend, the British Government has been able to improve the diet of the poorest half of the British population.

While it is the Keynes and Laskis in Britain who best explain or rationalize the inflationary and socialistic tendencies in British policy since 1933, it has been the Baldwins, Chamberlains, and Churchills, or the most traditional of Tories, who have had the direction of public affairs while these policies have been carried out. These conservative leaders have been neither inflationists nor Socialists. They have been hard-headed British imperialists. They merely perceived the dispositions of American policy and made obvious adjustments. I admire the British for their astuteness, and for many other qualities they possess. There was no use trying to lower British production costs with a view to expanding exports to America.

A protectionist American Congress would raise the tariff to offset any reduction of British production costs. Americans did not want to buy British manufactures cheap. They wanted to sell American food products cheap and buy British gold dear. Now they want to give away American food products. The proper British adjustment was to sell American gold for 70 percent more than it was worth and to buy cheap or to receive as a gift American groceries. This required, among other things, inflationary and socialist policies in Britain in order to increase British purchasing and consuming power. It has raised American taxes and public debt and raised British living standards. It has been sound for British capitalism, or at least safe, so far, because, thanks to our subsidies, inflation there has not taken.

In the long run these developments are calculated to lessen the recently growing economic superiority of the United States over Britain. This leveling process, as between Britain and America is grand for Britain. It will be accelerated to whatever extent American policymakers, under the influence of British thought and example, attempt to imitate British measures of a socialistic or inflationary nature. For, while inflationary and socialistic policies enabled Britain to make adjustment to American policies of buying gold dear and selling food cheap, and now giving it away, the same or similar policies followed by our Government are justified by no such necessity of making adjustment to the policy of a powerful foreign nation, and are subsidized by no such gifts as our gold-buying and lease-lend operations involved.

If, in pursuing a grandiose program of world uplift and socialism, the United States resorts to inflation, by giving money subsidies to producers and con-

sumers, instead of relying, as did socialist Russia, on harsh discipline, compulsion, and purges, it is a foregone conclusion that resort to prolonged inflation will wreck the American capitalist economy without, at the same time, building a strong self-sufficient socialist economy. Briefly, what was sound for Britain will not be sound or feasible for the United States, because, in international economic relations, the United States is not, like Britain, the recipient of foreign subsidies, but is trying to be the subsidizer of half the globe. A subsidy-receiving national economy must inflate to make satisfactory adjustment to the receipt from abroad of a subsidy. Such inflation is not inflationary in its effects but merely a matter of adjustment.

A subsidy-giving national economy cannot inflate without disastrous consequences. The formula for subsidy giving is not inflation but self-denial and harsh discipline. But British long-run interests will be well served if current developments result in a leveling down of America and a leveling up of Britain for the post-war economic race. Nothing will better insure this post-war result than an American attempt to imitate certain inflationary procedures recently used with success and without inflationary sequels by the British.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, beginning in line 9, on page 2.

Mr. O'MAHONEY. Mr. President, on behalf of the senior Senator from Nebraska [Mr. BUTLER] and myself, I offer an amendment to the committee amendment and ask that it be stated. The amendment is merely to cast into proper language the amendment I discussed earlier in the afternoon.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. In the committee amendment on page 5, line 6, following the word "law", it is proposed to strike out all down to and including the word "products" in line 13, and between lines 13 and 14 to insert the following new subsection:

(g) No subsidy program shall be undertaken or continued with respect to any agricultural commodity either by the Reconstruction Finance Corporation, or by the Commodity Credit Corporation, if in its opinion such program will result in any reduction in the price paid to the producers of such commodity, and the Reconstruction Finance Corporation and the Commodity Corporation shall each issue suitable regulations to prevent any such reduction in the price paid to the producers of such commodity as a result of any such subsidy program.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming to the committee amendment.

Mr. TAFT. Mr. President, if the Senator from Wyoming will yield to me, let me say that I think if he will modify his amendment by striking out the word "such" in the last line he will strengthen it.

Mr. O'MAHONEY. I agree with the Senator, and I modify my amendment in that way.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming, as modified, to the amendment of the committee.

Mr. TAFT. Mr. President, with the modification, I hope the amendment to the amendment will be agreed to.

Mr. REED. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I am glad to yield.

Mr. REED. I should like to ask the Senator from Wyoming on what basis he determines the prices below which no reduction would be made.

Mr. O'MAHONEY. They would be the prices existing at the time when the program went into effect. It must necessarily be so. Much as I should like to go back to the basis stated in the bill which was vetoed, because of the notice I have received on the floor this afternoon that any attempt to do so would result in a veto, I now am working on the basis of the old theory that one-tenth of a loaf is better than no bread.

Mr. REED. Before the Senator from Wyoming takes his seat, I should like to ask him a further question. If we are to provide for the price as of the date of the enactment of the joint resolution, that price may be below the support price already offered by the Secretary of Agriculture or the War Food Administration. For example, if my recollection is correct, and I am stating this from memory, the Secretary of Agriculture offered a support price for hogs, at Chicago, of \$13.75 per hundred pounds. On the 15th of June, which is the date for the figures given in the last issue of the official publication of the Department of Agriculture, Agricultural Prices, dated June 29, and stamped as received in my office on July 1, the price of hogs in Chicago was \$13.60, already 15 cents below the support price offered by the Secretary of Agriculture, as I recall the figures. Let me inquire of the Senator from Wyoming whether he would further reduce that price, or would retain the market price of that date or of some other date, and disregard the support price already offered to increase production.

Mr. O'MAHONEY. No, Mr. President, I think the support price is a matter of procedure and accepted policy at the present time, and would not be affected. The Senator from Kansas well knows that I did not agree with the philosophy or the method of procedure which was outlined in the Emergency Price Control Act. I felt that very different steps should have been taken. However, they were not taken.

I offer the amendment to the amendment in the belief that it is an improvement over the amendment reported by the committee.

Mr. REED. Let me ask the distinguished senior Senator from Wyoming whether he is willing to turn his livestock producers over to the tender mercies of the O. P. A.

Mr. O'MAHONEY. Oh, certainly not. Mr. REED. Or whether he thinks his livestock producers, any more than those of Kansas, would care to be turned over to the tender mercies of the O. P. A.



Mr. O'MAHONEY. No. The Senator and I still agree.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. AIKEN. In reading the amendment of the Senator from Wyoming, I notice he leaves the question of whether there will be a reduction in price to the opinion of the O. P. A. or the R. F. C.

Mr. O'MAHONEY. There is no other way to do it.

Mr. AIKEN. Is it not the understanding of the Senator from Wyoming that the officials of the executive department maintained, when they announced the roll-back subsidy on meat and dairy products, that prices to the farmers would not be reduced?

Mr. O'MAHONEY. No; my opinion is that the amendment would result in an improvement over the present position. I have in mind that the President in his veto message used the following sentence:

I do not intend to permit farm prices and incomes to be depressed.

I may feel, and I do feel, that this method is the incorrect approach to the problem. However, we are confronted by the substantial fact that the House of Representatives declined to override the President's veto. Therefore, as I see the situation from a practical point of view, I have no recourse but to do the best I can do now to obtain acceptance of modifications which will tend to improve the situation and which will make it more and more clear that the intent of Congress and the intent of the Executive is that the matter shall be administered in such fashion as not to depress farm prices and thereby curtail the opportunity of the producer to produce.

I am hopeful that it will still dawn upon those who are handling the program that a much better method of maintaining production can be followed than the one which is being followed by these programs.

Mr. REED. Mr. President, will the Senator further yield?

The ACTING PRESIDENT pro tempore. Does the Senator from Wyoming yield to the Senator from Kansas?

Mr. O'MAHONEY. I yield.

Mr. REED. I am sure the distinguished senior Senator from Wyoming will recall that in the message the President delivered to this body on Labor Day of last year, he offered an alternative method of determining prices of farm products. The plan offered was that the prices should be either the parity price or the highest price paid between January 1 and September 15, 1942.

I am also sure the Senator from Wyoming will remember that the administrative agencies undertook to reduce prices which already were below the maximum price paid between January 1 and September 15. I happen to have in my office an analysis of that situation. Not anticipating that the matter would come up this afternoon, I do not happen to have the analysis at hand, but I am quite sure I have correctly stated the situation, namely, that some of the so-called price roll-back orders are reducing farm prices which already are below the prices which should be maintained under the President's message of Labor Day of last year. How are the livestock producers and how are the farmers to secure protection under circumstances such as those, when the President holds out a program under

which it is easy to determine maximum prices, and then his own administrative agencies reduce prices which already are below that maximum?

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] as modified.

Mr. BUTLER. Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a few brief statements which I think will contribute toward the interpretation of the problems which may face the administrators of the law a little later.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

Now, as for the subsidy problem. It is another one of those deals where they don't tell the whole truth. Either that or they do not know. If Congress allows the meat industry to be subsidized, it is the beginning of the ruination of the whole economy of this country. It seems simple offhand to subsidize the packer so as to maintain present live prices. If the subsidy program as proposed is allowed to go through, we will immediately have ordered maximum live prices on the various grades of livestock, because otherwise it would be impossible to determine what the cost of the subsidy program would be because the packers, knowing that they were being subsidized, would not care what price they paid for livestock. So maximum live prices would be absolutely necessary, and when maximum live prices are placed on livestock, then follows allocation to the packer.

The livestock industry has made a mistake in the past by talking about the price of livestock rather than cost of production. The Corn Belt feeder is the only individual contributing to our war effort who is asked to produce his product and sell it below cost of production.

	Lot 1	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6	Lot 7
Number head.....	72	195	108	146	416	123	196
Initial purchase weight.....pounds	61,730	140,665	127,670	160,120	410,077	146,610	190,072
Age.....do	857	721	1,182	1,097	985	1,191	970
Total feeding days.....	3,220	13,065	7,960	10,320	41,351	8,635	11,407
Gain per day.....pounds	2.09	1.9	2.5	2	2.07	2.9	2.02
General overhead—labor including grinding per head.....	\$0.03½	\$0.03½	\$0.03½	\$0.03½	\$0.03½	\$0.03½	\$0.03½
Total labor overhead.....	\$112.70	\$457.27	\$278.60	\$361.20	\$1,447.28	\$302.22	\$399.24
Interest per head.....	\$0.01½	\$0.01½	\$0.01½	\$0.01½	\$0.01½	\$0.01½	\$0.01½
Total interest charge.....	\$48.30	\$195.97	\$119.40	\$159.30	\$620.26	\$129.52	\$171.10
Feeding costs:							
Corn, shelled.....	\$542.00	\$3,690.00	\$3,055.00	\$3,100.00	\$14,976.90	\$3,521.70	\$3,443.00
Corn, ear.....	\$115.28	\$458.80	\$292.50	\$331.00			
Hay:							
Alfalfa.....	\$37.31	\$148.56	\$94.72	\$107.12			
Prairie.....	\$29.25	\$116.44	\$74.24	\$83.96	\$1,594.25	\$369.91	\$475.77
Linseed meal.....					\$1,005.36	\$211.78	\$262.56
Cotton cake.....					\$970.94	\$212.52	\$245.44
Linsoy.....	\$156.47	\$592.06	\$371.18	\$503.71			
Molasses.....					\$550.19	\$117.07	\$148.05
Mineral.....	\$12.24	\$59.58	\$23.76	\$33.00			
Total sale weight.....pounds	68,460	165,450	147,520	179,660	490,644	171,650	213,120
Total gain.....do	6,730	24,785	19,850	19,540	85,567	25,040	24,048
Total cost gain.....	\$1,353.55	\$5,628.69	\$4,369.40	\$4,674.79	\$21,165.18	\$5,145.16	\$4,864.72
Cost per pound gain.....	\$0.201	\$0.227	\$0.217	\$0.239	\$0.247	\$0.194	\$0.223
Feed cost, lots 1, 2, 3, 4:							
Corn, shelled, per bushel.....	\$1.00						
Corn, ear, per bushel.....	1.00						
Hay:							
Alfalfa, per ton.....	18.50						
Prairie, per ton.....	14.50						
Linsoy, per ton.....	57.00						
Mineral, per hundredweight.....	6.00						
Food cost on lots 5, 6, 7:							
Corn, shelled, per bushel.....							\$0.96½
Hay, per ton.....							15.50
Linseed meal, per ton.....							48.00
Cotton cake, per ton.....							52.00
Molasses, per ton.....							29.00

With respect to the Office of Price Administration action to roll back prices on hogs, cattle, and other farm products, I wish to say the only answer is for us farmers to produce less, because our cost has increased. I am willing to work for the boys for nothing but I have to pay my help and my bank. The

authorities in Washington have threatened us stockmen with everything they can think of (I hope), and have charged us farmers with causing inflation and the high cost of living. I don't like it and my neighbors around here don't like it. We are working 7 days a week and trying to make enough

food but there are so many to eat that I am afraid we won't make it.

It takes the heart out of a man when he comes in dog tired at night and reads about these Washington ideas to roll back farm prices, subsidize the packers, and increase wages to organized labor.



Sorry to bother you, but this is about the picture here and I sincerely believe food production is in danger—or do they want food produced?

Hon. HUGH BUTLER,  
Washington, D. C.

DEAR SIR: I am writing to you in regard to the way the farmers are taking the treatment that they are getting. There is no other class that is getting the kind of deal the farmer is at the present time.

I have 22 gilts bred for June farrow, and I am going to sell them before they show to piggle, and that is the way the most of the farmers in Fair Dale Precinct are going to do. I am the assessor, Victory leader, and committeeman of this precinct. I have contacted 90 farmers in the last 3 days, so I know how they feel.

Most anybody can go to Grand Island and make from 10 to 18 dollars a day in the plant, and labor is impossible to get. Everybody but the farmer gets paid on a cost-plus basis. Farmers' pay is based on a parity that dates back to the time when wages of labor were far less.

I wish I had the time to write you a long letter, but this is what is going to happen. In about 6 to 8 months they are going to wonder where all the meat is that farmers signed up to raise. If the bunch that is running this show want grain instead of meat, that is just what they are going to get.

The price the farmer was getting for his produce was not too high in regard to other classes. It's been too cheap, and when it reached a closer ratio it seemed high to labor who has been used to cheap food. Don't Rosie know labor gets more money to spend than all the farmers together. I mean net money or inflation money, if I must; are not you boys going to do something for us?

I am yours very truly.

SEARLE BROS. RANCH,  
Ogallala, Nebr., April 15, 1943.

Hon. HUGH BUTLER,  
Washington, D. C.

DEAR SENATOR: I am mailing you a letter which I wish could be gotten to the heads of the Office of Price Administration, as it very clearly shows the situation out in this country.

I would have sent it direct, but did not think it would ever reach the right parties.

I am very patriotic as the letter suggests and all the cattle folks are, but when we stand to lose the price of our feed and labor and very likely a part of our investment in the cattle, we don't feel like pitching.

Yours very truly,

A. L. SEARLE.

UNION STOCK YARDS,  
Denver, Colo., April 13, 1943.

DEAR SIR: Livestock markets have been pretty much upset this week at all points, the result of news emanating from Washington, D. C., most of which came out of Office of Price Administration and from the new food administrator, Chester Davis. The advance of 5 cents per bushel in the price of corn, ordered by Mr. Davis along with his drastic crack-down threats of different things that were being considered to lower the price of beef and pork, naturally has made livestock growers and livestock feeders more uneasy than they have been for some time and justly so. To raise the price of grains and lower the price of livestock cuts pretty sharply into the bank accounts of our meat producers at the moment.

It is our opinion that the well being of the Nation is jeopardized seriously by these intermittent announcements, having to do with meat production and all of which for 8 to 10 months have resulted in a curtailment of production, whereas the needs of the Army, the needs of lend-lease and the needs of

the civilian population of our country demand that more meat, not less, be produced.

We feel that the tinkering going on by men who are not familiar with livestock production problems, will only result eventually in a condition that will have to be remedied in some way, or else meat, so sorely needed, simply will not be available.

Having an abiding confidence in the intelligence of the American people as a whole, it is our opinion that necessary corrections will be made as times goes on, with the result that more experienced and practical folks will be at the head of our gigantic factory of meat production in the United States. Therefore we feel like assuring producers that anything working against their interests will be temporary; do not get alarmed; stay in there and pitch; run your plant to capacity, and figure that you are simply doing your part in the interest of the country that we love, even though hampered by rules and regulations not at all practical and not serving the public interest the least bit.

Mr. BUTLER. Mr. President, in this connection I should like to ask the Senator from Ohio, who reported the joint resolution, if, in his opinion, there is any authorization in the joint resolution for placing ceiling prices on live animals?

Mr. TAFT. There is nothing in the joint resolution which would authorize placing ceiling prices on live animals. In that respect I think it would not change the power in the present law. Yesterday Mr. Brown, the Price Administrator, appeared before our committee and stated that it was the policy of the administration not to place prices on live animals. I believe that if he were permitted to carry out the program he has in hand he would maintain that policy. If he is driven away from the program which he is conducting he might be forced to seek alternatives to the fixing of prices on live animals.

Mr. BUTLER. It is in anticipation that something like that might develop that I have had inserted in the RECORD a few quotations from the statements to which I have already referred. I invite especial attention to one page covering the complete cost of finishing seven lots of cattle which were on feed. The statement shows the number of days, the feed which was weighed into them, the labor costs, and everything else in connection with the complete transaction. If it is desired, I can obtain affidavits in support of the figures showing the actual cost of producing beef at this time.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY] as modified, to the committee amendment. The modified amendment to the committee amendment was agreed to.

The ACTING PRESIDENT pro tempore. Section 5 is open to further amendment.

Mr. TAFT. Mr. President, in our last conference with Mr. Hutson, of the Commodity Credit Corporation, he asked for certain modifications of language, and one modification of substance. I therefore offer the first amendment which has been requested and ask that it be stated.

The ACTING PRESIDENT pro tempore. The amendment offered by the Senator from Ohio will be stated.

Mr. REED. Mr. President, will the Senator yield?

Mr. TAFT. May the amendment be stated first?

The CHIEF CLERK. On page 3, line 3 after the word "Corporation" it is proposed to insert "or the Commodity Credit Corporation."

The ACTING PRESIDENT pro tempore. Without objection—

Mr. REED. Mr. President, these amendments are important. Hearing them read, without having them before us, leaves us in a state of uncertainty as to what the amendments actually mean. I suggest to the majority leader and to the distinguished Senator from Ohio that in the interest of intelligent handling of these very important questions the amendments ought to be printed and made available to Senators. We ought not to undertake to vote on them this afternoon. I suggest to the majority leader that we should not undertake to vote on these amendments or any part of the bill, tonight. The amendments should be made available so that we may have them before and give them the intelligent consideration which their importance deserves.

Mr. TAFT. Mr. President, this particular amendment is purely technical. There is one other of that nature. There is one amendment of some importance, to which I think the Senator's remarks would apply. I should like to get rid of the technical amendments.

Mr. BARKLEY. Mr. President, I was about to suggest to the Senator from Kansas that most of these amendments are purely technical, with one exception. There is one substantive amendment.

Mr. REED. Mr. President, I think it would be agreeable to permit the Senator from Ohio to perfect his amendment with these suggestions and have the entire amendment printed in the final form in which he intends to offer it, so that it may be available to Senators.

Mr. TAFT. Mr. President, I am offering any amendment.

Mr. BARKLEY. Mr. President, the Senator is offering amendments to the committee amendment. It is not as though he were offering an amendment from the floor, which he could perfect as a matter of right.

Mr. REED. That is the point I wish to have made clear. If it is only a question of perfecting the committee amendment, I have no objection.

Mr. BARKLEY. If the committee amendment, or any other amendment to the joint resolution, is adopted, it must go back to the House. Whether the House would feel disposed to act on the amendment without sending it to conference, I have no way of knowing. If it had to go to conference, that would mean some time. It is important to have the joint resolution enacted into law as soon as possible. The Commodity Credit Corporation is now out of business. Its time expired 5 days ago, and technically, it cannot transact any business until its life has been extended.

I do not wish to crowd Senators to vote tonight, although I had hoped that we might dispose of the joint resolution tonight in order to send it to the House



as soon as possible, so that it might be acted upon one way or the other.

I am willing to accommodate myself to what the Senator from New York [Mr. WAGNER], chairman of the committee, and the Senator from Ohio [Mr. TAFT] desire. Two or three Senators have indicated that they wish to make brief observations or propound certain inquiries with respect to the general subject.

Mr. TAFT. Mr. President, I think it is important that the joint resolution be disposed of at a reasonably early hour tomorrow so that it may reach the House and the House may appoint a conference committee tomorrow, and so that action on the joint resolution may be completed on Wednesday.

Mr. BARKLEY. I was about to suggest that if we are not to act tonight, I hope we can meet tomorrow at 11 o'clock. I should like to propose a limitation on further debate on the joint resolution and all amendments, if that is agreeable.

Mr. AIKEN. What limitation, Mr. President?

Mr. BARKLEY. I suggest 15 minutes. I ask unanimous consent that during the further consideration of the joint resolution no Senator shall speak more than once or longer than 15 minutes on the joint resolution or any amendment thereto.

Mr. AIKEN. The joint resolution and any amendment?

Mr. BARKLEY. The joint resolution or any amendment. That means that a Senator may speak 15 minutes on the joint resolution and 15 minutes on any amendment.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Kentucky? The Chair hears none, and it is so ordered.

Mr. BARKLEY. Mr. President, I suggest that the Senator from Ohio tender the amendments which he intends to offer, so that they may be printed and lie on the table.

Mr. TAFT. Mr. President, I now submit the amendments intended to be proposed by me, and ask unanimous consent that they be printed and lie on the table, and also be printed in the RECORD.

There being no objection, the amendments intended to be proposed by Mr. TAFT were ordered to be printed and lie on the table, and also to be printed in the RECORD, as follows:

Strike out on page 5, lines 17 to 25, inclusive, and on page 6, lines 1 to 6, inclusive, and insert the following:

"(j) Nothing in this act shall be construed (1) as authorizing the elimination or any restriction of the use of trade and brand names; (2) as authorizing the Administrator to require the grade labeling of any commodity; (3) as authorizing the Administrator to standardize any commodity, unless the Administrator shall determine, with respect to such standardization, that no practicable alternative exists for securing effective price control with respect to such commodity; or (4) as authorizing any order of the Administrator fixing maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were prior to such order, in substantial use in the trade or

industry affected, or have previously been promulgated and their use lawfully required by another Government agency."

On page 4, line 2, after the word "or", to strike out the word "purchase" and insert "pay losses resulting from the purchase of."

On page 4, lines 13 and 14, after the word "or", to strike out the word "purchase" and insert "pay losses resulting from the purchase of."

On page 4, line 17, after the word "purpose" insert the word "not fulfilled prior to July 1, 1943."

On page 4, at the end of paragraph (d) strike out the period, insert a colon and the following "Provided, That commitments in a total additional sum of \$175,000,000 may be entered into prior to January 1, 1944, covering 1944 crops."

Mr. BARKLEY. I assume that in view of the agreement which has been reached we may suspend at this time. I wonder if we can first dispose of the first amendment offered by the Senator from Ohio, which is pending. It is technical in nature.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio, on page 3, line 3.

The amendment was agreed to.

Mr. VANDENBERG. Mr. President, may I inquire what has become of the "convincer" amendment offered by the Senator from Wyoming [Mr. O'MAHONEY]?

Mr. TAFT. Mr. President, that amendment was agreed to while the Senator from Michigan was absent from the Chamber.

Mr. SMITH. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. SMITH. Because of the consideration of the joint resolution before the Senate I did not make an effort to press for consideration of House Joint Resolution 71, which passed the House unanimously earlier in the day. However, I give notice that immediately upon the disposition of the pending measure tomorrow, I shall ask for consideration of House Joint Resolution 71.

#### ARMED SERVICES HONOR DAY

Mr. BARKLEY. Mr. President, when the calendar was called a few days ago, and Calendar No. 341, Senate Joint Resolution 59 was reached, I asked for an explanation. The Senator from Wisconsin [Mr. WILEY], the author of the joint resolution, was not present, and no Senator seemed to be in a position to explain the joint resolution.

I have since looked into the subject; and not only have I no objection to the joint resolution, but I think it is an entirely worthy measure. It would simply authorize and request the President to proclaim and Armed Services Honor Day during the year 1943. Therefore, I desire to withdraw the objection which I then urged, and ask unanimous consent that the joint resolution be considered at this time.

Mr. WHITE. Mr. President, is the proposal for the Armed Services Honor Day limited to 1943?

Mr. BARKLEY. It is.

Mr. President, I ask unanimous consent for the present consideration of Senate Joint Resolution 59.

The ACTING PRESIDENT pro tempore. The joint resolution will be stated by title for the information of the Senate.

The CHIEF CLERK. A joint resolution (S. J. Res. 59) authorizing the President of the United States of America to proclaim Armed Services Honor Day for the recognition and appreciation of the patriotic devotion to duty of all members of all branches of the armed military and naval forces of the United States of America.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the resolution, which had been reported from the Committee on the Judiciary with amendments.

The first amendment of the Committee on the Judiciary was, on page 2, line 3, after the word "the," to strike out "20th" and insert "1st."

The amendment was agreed to.

The next amendment was on the same page, same line, after the word "of", to strike out "June" and insert "August."

The amendment was agreed to.

The joint resolution was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Resolved, etc.,* That Sunday, the 1st day of August 1943, be, and hereby is, designated as Armed Services Honor Day and that the President of the United States is hereby authorized and requested to issue a proclamation setting aside that day as a public occasion for the recognition and the honoring of all men and women who have served or now are serving in any and all branches of the military and naval armed services of the United States of America.

That the civil, religious, educational, and patriotic authorities of States, counties, cities, and towns be, and they are hereby, urged to make plans for the proper observance of this day and that they arrange and hold appropriate ceremonies in their respective communities in honor of all members of the United States of America armed forces and particularly the national defenders from the States and localities in which they reside.

That the Secretary of War and the Secretary of the Navy be, and hereby are, authorized to recommend participation by military and naval forces under their respective jurisdiction in ceremonies marking the occasion of Armed Services Honor Day, in such manner and to such extent that is consistent with the exigencies of the moment.

That the President of the United States be, and is hereby, requested to prepare and transmit a message to all of our armed forces everywhere and especially to those heroes who have come from the scenes of battle to recover from their wounds or illnesses expressing the Commander in Chief's and the Nation's gratitude and voicing our prayers for a final and complete victory and their safe return to the pursuits of civil life in a world at peace.

The ACTING PRESIDENT pro tempore. The Chair is advised that the committee has reported certain amendments to the preamble.

Mr. BARKLEY. Mr. President, I wish to suggest to the Senator from Wisconsin that the preamble be eliminated. It is a long preamble, and it has been customary to eliminate long preambles. I do not think a preamble is essential.

Mr. WILEY. The elimination of the preamble is satisfactory to me.



The ACTING PRESIDENT pro tempore. Without objection, the preamble is eliminated.

#### CONSTRUCTION OF COMMUNITY FACILITIES

Mr. MALONEY. Mr. President, I ask unanimous consent that following the completion of the pending business the Senate proceed to the consideration of House bill 2936, Calendar 387, an act to authorize the appropriation of an additional \$200,000,000 to carry out the provisions of title II of the act entitled "An act to expedite the provision of housing in connection with national defense."

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Connecticut?

Mr. AIKEN. Mr. President, what is the bill?

Mr. WHITE. May we have an explanation of the purpose of the bill?

The ACTING PRESIDENT pro tempore. The clerk will state the bill by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 2936), to authorize the appropriation of an additional \$200,000,000 to carry out the provisions of title II of the act entitled "An act to expedite the provision of housing in connection with national defense" and for other purposes.

Mr. MALONEY. Mr. President, allow me to say in answer to the question of the acting minority leader, the Senator from Maine [Mr. WHITE], that the bill would authorize an additional \$200,000,000 under the Lanham Act to be used for community facilities, principally in connection with new housing which the Congress has recently authorized in the amount of \$400,000,000.

Mr. AIKEN. I may add that I have no objection.

Mr. GEORGE. Mr. President, if I may be permitted, I should like to submit an inquiry to the Senator from Connecticut. In the second deficiency appropriation bill which the Senate passed this afternoon there is an item of \$75,000,000 for facilities for this matter.

Mr. MALONEY. It is in connection with the proposal and would be available only if this particular bill should pass.

Mr. GEORGE. This is a mere authorization? There is no proposal to appropriate the money at this time?

Mr. MALONEY. The \$75,000,000 to which the Senator refers would be available only upon the enactment of this bill.

Mr. GEORGE. I was anxious to understand it clearly because on the Mississippi coast there are many hundreds of units of houses which are actually unoccupied and yet we have continued to appropriate money for additional construction.

Mr. WHITE. Is this the legislative authority for the appropriation of \$75,000,000 which the Senate adopted this afternoon? Did that appropriation rest on the assumption that this measure was to pass?

Mr. MALONEY. That is to provide some of the money should this bill pass.

Mr. WHITE. That is, the appropriation was contingent upon the passage of this bill.

Mr. MALONEY. That is my understanding.

Mr. VANDENBERG. Mr. President, the Senator is familiar with the objection which I made to the bill. My recollection is that there were objections from other Senators who are not now present. Am I incorrect as to that?

Mr. MALONEY. I want to be sure I understand what the Senator means by his objection. The objection to which I refer, as voiced by the Senator from Michigan, was that he did not want to enlarge the powers of the Federal Department of Education through this bill.

Mr. VANDENBERG. No, on the contrary I voiced the objection of the Superintendent of the Department of Public Instruction of Michigan to the direct contact of the Federal Works Agency in circulating these funds direct to school districts in Michigan. I quote him literally:

We therefore recommend that the act be further amended so that all funds for school instruction and maintenance and operation be channeled through the United States Office of Education and in turn through the State Departments of Education.

Mr. MALONEY. That would not take place under this language.

Mr. VANDENBERG. I judge not.

Mr. MALONEY. I myself disagree with that view, I must say to the Senator. This would authorize the Federal Works Agency to continue the program which has been in effect for a long time and would not in any way change it.

Mr. VANDENBERG. In other words, it permits the Federal Works Agency to deal directly with school districts.

Mr. MALONEY. That is correct.

Mr. VANDENBERG. And the educational authorities of the State of Michigan, at least, are fundamentally opposed to the maintenance of that sort of a contact.

Mr. MALONEY. I am not familiar with all the views of the Michigan authorities, but I talked with the man who is superintendent of education, or who holds an important State position comparable to it, and he explained a situation which exists at Willow Run, which I understand, has been or is about to be adjusted. Beyond that, I do not know the views of the Michigan authorities.

Mr. VANDENBERG. Why should not these funds at least be channeled through the State educational authorities of the various States even if we want to by-pass the United States Office of Education?

Mr. MALONEY. I cannot answer that question. I presume that the authority to do that rests with the Federal Works Agency. If they do not do that I presume it is because they feel that the matter can be more expeditiously handled through the local authorities, who are entirely familiar with the particular situation and who under ordinary circumstances would be charged with the raising of funds to construct schools which are in whole or in part provided for by this legislation.

Mr. LA FOLLETTE. I merely wish to say to the Senator from Michigan, with the permission of the Senator from Connecticut, that in my opinion the

bill which passed the Senate recently, namely, Senate bill 1130, was expected to give the State educational authorities participation in working out a State program which would, at, in my judgment, many of the objections raised in the letter to which the Senator from Michigan has referred.

Mr. MALONEY. So that the Senator from Michigan may be a little more fully informed, let me say that we made provision in the bill which we are discussing to turn the activities over to the United States Office of Education under the so-called Thomas bill, which has already passed the Senate.

Mr. VANDENBERG. Mr. President, I shall not interfere with the Senator's anxiety to pass the bill because I know of the fundamental necessity for the expansion of what we might call municipal facilities in connection with the defense needs. However, I now ask the question if the other Senators who objected to this bill are present?

Mr. MALONEY. The only other Senator I knew had an objection is the Senator from Wisconsin. He just left the Chamber. I know of no other objection. The bill was reported by the committee unanimously, as I recall. It is not my proposal. It is a House bill and I am merely acting in the capacity of chairman of the Committee on Public Buildings and Grounds.

Mr. VANDENBERG. Would the Senator object to the amendment which would require the Federal Works Agency to consult the State authorities in the various States?

Mr. MALONEY. That has already been provided. That is the practice of the Federal Works Agency. They do consult the Federal Office of Education and consequently the State authorities.

The Senator from Connecticut would object to any amendment which would compel them to do that, because it might cause some delay. The matter has already been passed upon by the Senate. I assume the Senator from Michigan voted for it. The Thomas bill would do just what the Senator wants done, and it is now before the House. Provision is made in this bill to avoid duplication. Should the so-called Thomas bill become law, the educational and day-care activities now being handled by the Federal Works Agency would be turned over to the Office of Education.

Mr. VANDENBERG. I recall that, and I favored it completely, of course, but it seems to me this is a violation of that method of procedure.

Mr. MALONEY. I do not think this bill violates any procedure. It merely authorizes another \$200,000,000 to permit the authorities to do what they have been doing from the beginning.

Mr. VANDENBERG. Is there anything about the passage of the Thomas bill which would affect the bill now being discussed?

Mr. MALONEY. Yes; it would take out from the Federal Works Agency the operation of Federally-financed educational activities, and would so operate insofar as so-called child day-care centers are concerned.



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78TH CONGRESS  
1ST SESSION

# H. J. RES. 147

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IN THE SENATE OF THE UNITED STATES

JULY 6 (legislative day, MAY 24), 1943

Ordered to be printed with the amendments of the Senate numbered

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## JOINT RESOLUTION

To continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

1        *Resolved by the Senate and House of Representatives*  
2        *of the United States of America in Congress assembled,*  
3        That the first sentence of section 7 of the Act approved  
4        January 31, 1935 (49 Stat. 4), as amended, is hereby  
5        amended, as of June 30, 1943, by striking out "June 30,  
6        1943" and inserting in lieu thereof "December 31, 1943".

7        SEC. 2. The first sentence of section 4 of the Act ap-  
8        proved March 8, 1938 (52 Stat. 108), as amended, is  
9        hereby amended by striking out "\$2,650,000,000" and in-  
10        serting in lieu thereof "\$3,000,000,000".

1        SEC. 3. The Federal Reserve banks are hereby author-  
 2 ized to act as depositaries, custodians, and fiscal agents for  
 3 the Commodity Credit Corporation.

4    **(1)**SEC. 4. Section 22 (g) of the Federal Reserve Act, as  
 5 amended (12 U. S. C. 375a), is hereby amended by adding  
 6 at the end thereof the following: "This subsection shall not  
 7 apply to loans which the Commodity Credit Corporation has  
 8 agreed to take over or purchase."

9        SEC. **(2)**5 4. Full reimbursement shall be made to the  
 10 Commodity Credit Corporation for services performed, losses  
 11 sustained, operating costs incurred, or commodities purchased  
 12 or delivered to or on behalf of the Lend-Lease Adminis-  
 13 tration, the Army or Navy, the Board of Economic War-  
 14 fare, the Reconstruction Finance Corporation, or any other  
 15 Government agency, from the appropriate funds of these  
 16 agencies.

17    **(3)**SEC. 5. *Whenever a maximum price or prices shall*  
 18 *have been established for any agricultural commodity or any*  
 19 *commodity processed or manufactured in whole or substan-*  
 20 *tial part from any agricultural commodity, including live-*  
 21 *stock, under authority of the Emergency Price Control Act*  
 22 *of 1942 or of the Act entitled "An Act to amend the Emer-*  
 23 *gency Price Control Act of 1942, to aid in preventing in-*  
 24 *flation, and for other purposes", approved October 2, 1942,*  
 25 *no subsidy or other payments shall be made either directly*

1 or indirectly to a producer, processor, manufacturer, or any  
2 other person engaged in the production, marketing, dis-  
3 tribution, or handling of any such commodity for the pur-  
4 pose of compensating any such producer, processor, manu-  
5 facturer, or other person in whole or in part for any reduc-  
6 tion or roll-back of maximum prices so established as may  
7 have been or may hereafter be ordered, from any funds  
8 heretofore or hereafter appropriated to the Commodity  
9 Credit Corporation or from any funds authorized to be bor-  
10 rowed by such Corporation, or any other governmental  
11 agency, including Government-owned corporations, unless the  
12 Congress, by appropriation or otherwise, shall have author-  
13 ized the use of such funds for such purpose. The definition  
14 of the term "person" in section 302 (h) of the Emergency  
15 Price Control Act of 1942, shall apply to the term "person"  
16 as used herein.

17 ~~(4)~~SEC. 6. (a) Section 2 of the Emergency Price Control  
18 Act of 1942, as amended, is hereby amended by adding at the  
19 end thereof the following new subsection:

20 " (j) Nothing in this Act shall be construed (1) as au-  
21 thorizing the elimination or any restriction of the use of trade  
22 and brand names; (2) as authorizing the Administrator to  
23 require the grade labeling of any commodity; (3) as author-  
24 izing the Administrator to standardize any commodity, unless  
25 the Administrator shall determine, with respect to such stand-



78<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

## H. J. RES. 147

### JOINT RESOLUTION

To continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

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#### IN THE SENATE OF THE UNITED STATES

JULY 6 (legislative day, MAY 24), 1943

Ordered to be printed with the amendments of the  
Senate numbered

payable from funds heretofore made available for payment of the expenses of such committee.

#### INDEPENDENCE DAY ADDRESS BY SENATOR WILEY AT ABBOTSFORD, WIS.

[Mr. WILEY asked and obtained leave to have printed in the *Record* an Independence Day address delivered by him at Abbotsford, Wis., on July 3, 1943, which appears in the Appendix.]

#### DEFENSE AGAINST CHAOS—OPEN LETTER TO THE PRESIDENT

[Mr. GUFFEY asked and obtained leave to have printed in the *Record* an open letter addressed to the President of the United States by Harry E. Sharkey, published in the column headed "Fact and fancy" in the June 29, 1943, issue of the *York (Pa.) Gazette and Daily*, which appears in the Appendix.]

#### OUR POST-WAR POLICY—EDITORIAL COMMENT ON ADDRESS BY SENATOR WILEY

[Mr. HAWKES asked and obtained leave to have printed in the *Record* an editorial published in the *Chippewa Herald-Telegram* of Chippewa Falls, Wis., commenting on the speech delivered by Senator WILEY at Appleton, Wis., on the subject *Our Post-War Policy*, which appears in the Appendix.]

#### TAKING PROFITEERING OUT OF WAR—AMERICAN FORUM OF THE AIR

[Mr. BRIDGES asked and obtained leave to have printed in the *Record* the program of the American Forum of the Air entitled "Taking Profiteering Out of War," conducted on June 20, 1943, which appears in the Appendix.]

#### THE ORIGIN OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION—ARTICLE BY JUDSON KING

[Mr. SHIPSTEAD asked and obtained leave to have printed in the *Record* an article by Judson King entitled "What Is the True Origin of N. R. E. C. A.?" which appears in the Appendix.]

#### WHAT HAPPENED FLAG DAY?—EDITORIAL FROM THE NEW YORK JOURNAL-AMERICAN

[Mr. REYNOLDS asked and obtained leave to have printed in the *Record* an editorial entitled "What Happened Flag Day?" published in the *New York Journal-American*, which appears in the Appendix.]

#### THE POST-WAR OUTLOOK—ARTICLE BY LEWIS HANEY

[Mr. REYNOLDS asked and obtained leave to have printed in the *Record* an article by Lewis Haney on the subject of the post-war outlook, published in the *Washington Times-Herald* for July 4, 1943, which appears in the Appendix.]

#### NATIONALISM AND AMERICANISM—ARTICLE BY HELEN ESSARY

[Mr. REYNOLDS asked and obtained leave to have printed in the *Record* an article by Helen Essary, published in the *Washington (D. C.) Times-Herald* of July 4, 1943, which will appear hereafter in the Appendix.]

#### CONTINUATION OF COMMODITY CREDIT CORPORATION

The Senate resumed consideration of the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment inserting section 5, as amended.

Mr. TAFT. Mr. President, I offer an amendment, which I send to the desk and ask to have stated. There are two amendments of a similar nature to be made on the same page.

The ACTING PRESIDENT pro tempore. The first amendment will be stated.

The CHIEF CLERK. In the committee amendment on page 4, line 2, after the word "or", it is proposed to strike out the word "purchase" and insert "pay losses resulting from the purchase of."

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio to the committee amendment.

The amendment to the amendment was agreed to.

The ACTING PRESIDENT pro tempore. The second amendment offered by the Senator from Ohio will be stated.

The CHIEF CLERK. In the committee amendment on page 4, lines 13 and 14, after the word "or", it is proposed to strike out the word "purchase" and insert "pay losses resulting from the purchase of."

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio to the committee amendment.

The amendment to the amendment was agreed to.

Mr. TAFT. Mr. President, I offer another amendment, which I send to the desk and ask to have stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. In the committee amendment on page 4, line 17, after the word "purposes", it is proposed to insert the words "not fulfilled prior to July 1, 1943."

Mr. AIKEN. Mr. President, may we have an explanation of the amendment?

Mr. TAFT. The amendment is requested by the Commodity Credit Corporation. The language of the committee amendment is:

All commitments heretofore made for such purposes shall be fulfilled out of the sum authorized herein.

The Commodity Credit Corporation points out that for several years it has been buying commodities in some cases for sale at a loss, and it is almost impossible to go back and count what those losses may be. The \$175,000,000 provided to the Commodity Credit Corporation was intended for the period of 6 months, not for the year 1942 and for all of the year 1943. The Commodity Credit Corporation requests therefore that some date be fixed with respect to the use of the \$175,000,000. The date provided by the amendment is July 1, 1943.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AIKEN. I was going to ask the Senator to explain the purpose of the amendment. Does it mean that the Commodity Credit Corporation can pay its obligations which were incurred up to the 1st of July.

Mr. TAFT. They must come out of the \$175,000,000, unless fulfilled before the 1st of July.

Mr. AIKEN. I have just obtained a copy of the amendment. I still do not understand its exact meaning. I have not had time to study its significance in connection with the original language.

Mr. TAFT. The language in the committee amendment now reads:

All commitments heretofore made for such purposes shall be fulfilled out of the sum authorized herein.

As modified by my amendment the language will be:

All commitments heretofore made for such purposes not fulfilled prior to July 1, 1943, shall be fulfilled out of the sum authorized herein.

So that if the commitments had been completed and paid for before July 1, they are not counted. There is not a large amount of such commitments in the year 1943. Certainly not over \$25,000,000 or \$30,000,000 had been spent and spent legally before we even considered the bill. There is an additional sum in the year 1943, but it seems clear that it is meant that the \$175,000,000 shall cover the year 1943 after July 1.

Mr. AIKEN. Does the Senator understand that any subsidies on meat or butter had actually been paid prior to July 1 of this year?

Mr. TAFT. This proposal has no relation to the subsidies on meat and butter. It relates only to the Commodity Credit Corporation subsidies. The same provision is not made with respect to the R. F. C. In connection with the appropriation of \$350,000,000, the R. F. C. must count everything it spent in the year 1943, even though it was prior to July 1.

Mr. AIKEN. So far as I know, the subsidies promised by the Commodity Credit Corporation have been authorized by the Congress, and are what some of us call legal subsidies. I have no objection to the amendment so long its purpose is what the Senator from Ohio says it is.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio to the committee amendment.

The amendment to the amendment was agreed to.

Mr. TAFT. Mr. President, I offer another amendment, which I ask to have stated.

The ACTING PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. In the committee amendment on page 4, at the end of paragraph (d), it is proposed to strike out the period, insert a colon, and the following: "Provided, That commitments in a total additional sum of \$175,000,000 may be entered into prior to January 1, 1944, covering 1944 crops."

Mr. TAFT. Mr. President, this amendment was not requested by the Commodity Credit Corporation at the hearing before the Banking and Currency Committee, but yesterday Mr. Hutson came before the committee and was very much concerned about the 1944 program. I think I read to the Senate the list of six or seven subsidies which the Commodity Credit Corporation is paying, the largest of which are the subsidies on peanut oil, soybean oil, and cottonseed oil, which cost about \$60,000,000 a year.



Those subsidies are paid on the basis of the crop year.

It will take approximately \$175,000,000 to pay this subsidy, practically all of which will be paid after July 1, on the 1943 crop. Mr. Hutson said that in many cases he must make commitments for the 1944 crop before October 1, 1943. He must let the trade know what he is going to do. He must let them know so that they may make their plans in accordance with his purpose.

Therefore, he requests that Congress now authorize him to proceed in 1944 with the same program he has carried out in 1943. The amendment involves no expansion of the program. Its effect would be similar to that of the contract authorizations for which provision is made in appropriation bills. In such bills we provide for the appropriation of certain sums of money and we authorize a contract to be made for a like sum in the following fiscal year.

That is the purpose of the amendment. It would not increase the scope of the program. It would permit the continuation of the Commodity Credit Corporation's program—not the Reconstruction Finance Corporation's program—during the year 1944 as well as during the year 1943.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. AIKEN. Does the Senator from Ohio understand that the commitments for this year's crops were made prior to October 1 of last year?

Mr. TAFT. I understand not. Mr. Hutson maintained that they should be made prior to October 1, if they are to have the proper effect in stimulating production and forwarding the plans which are to be made to carry out the programs.

Mr. AIKEN. I think the Commodity Credit Corporation, if permitted to exercise its own judgment and its own opinion, would be, and I say it is, a very valuable agency of government. However, I am wondering how far ahead it is wise to permit a Government corporation to make such commitments. We are extending the life of the corporation for 6 months, but would be permitting it to make commitments which would run for a year after the life of the agency itself expires, according to the amendment.

Mr. TAFT. The Senator states an objection which I raised. I do not think, however, it is an absolutely conclusive objection against the request made.

Mr. AIKEN. I believe we should take action on the Commodity Credit Corporation as long before January 1 as we can. I believe, too, that most of the Corporation's commitments for this year were made after January 1, although I am not sure about that. I was simply wondering why we should have to commit ourselves so far in advance.

Mr. TAFT. Perhaps the Senator from Kentucky will explain Mr. Hutson's argument to us.

Mr. TYDINGS. Mr. President, will the Senator yield to me before the Senator from Kentucky proceeds?

Mr. TAFT. I yield.

Mr. TYDINGS. I should like to ask the Senator from Ohio two questions before he takes his seat. I am sure the questions can be answered very briefly. Was there any evidence before the committee that the crops for which the subsidy is earmarked were being produced at a loss, at present prices?

Mr. TAFT. I am somewhat familiar with cottonseed and soybean prices. Those prices rose rather rapidly, and the authorities did all they could to check the rise. If they had permitted the rise to go higher, undoubtedly it would have forced an increase in the price of the products. It was felt that if the price of peanut oil and cottonseed oil, and so forth, were increased, the result would be to force an increase in the price of lard, which is a very important item; and the authorities felt that by holding down those prices they could save a much larger sum in the way of an increase in the prices of all fats and oils. Whether that opinion was justified, I do not know; but I think it would have been necessary to take very drastic steps to hold down the prices of the various oils if the subsidy had not been provided.

Mr. TYDINGS. Mr. President, will the Senator further yield?

Mr. TAFT. I yield.

Mr. TYDINGS. Are these subsidies for the purpose of increasing production in crop categories in which, without the subsidy, at the price which the grower could obtain, it is doubtful whether a sufficient quantity would be available?

Mr. TAFT. I really do not know. I cannot give the Senator an answer to his question. I may say that all the bills on the subject Congress has passed, as well as the bill the President vetoed, contained unlimited authority to proceed with the oil subsidies, a program involving \$60,000,000. Even under the bill the President vetoed, 1944 commitments on oil could have been made without any question. I think the others are of a somewhat similar character, but they were not expressly excepted in the bill the President vetoed.

Mr. BARKLEY. Mr. President, in regard to the question asked by the Senator from Vermont, I think it should be explained that, of course, it is true that some of the contracts under programs with respect to crops for 1943 have been made since January 1. That was inevitable; the program had to be handled in that way, because until January 1 of this year it was impossible to be certain about what program would be desirable or advisable for the 1943 crops, although in two or three instances, I think, announcement was made prior to January 1 when the program was mapped out, prepared, and probably entered into.

However, Mr. Hutson, the head of the Commodity Credit Corporation, emphasized the fact that if he were to withhold making any program with respect to the continuance of the 1943 program into the 1944 crop year he would be handicapped; that it was not only desirable but necessary that he be in a position to make the announcements and the arrangements prior to January 1; and he stated that in order that everyone might understand what the program for 1944

crops would be, he would have to begin in September and October to make the arrangements, and even to begin to make them now, so that the producers as well as the processors and others would know what to depend upon for the 1944 crops.

We fixed the amount for authorization for contracts for the 1944 crops at the same figure we allowed in the bill for the 1943 crops. So the proposal is really one for a continuation of the program for the 1943 crops, with no expansion; and if we might assume that the program as it now stands would absorb the whole \$175,000,000, and that the same program were to be continued for the 1944 crops, it would not even involve a subsidy on a different sort of crop, because it would simply be carrying the program over into the next year.

Mr. Hutson emphasized the fact that if he had to wait until the first of the year, or even wait until Congress returned from a recess, and tried to correct the situation and give him the authority, it would handicap the Commodity Credit Corporation in arranging its program far enough in advance to enable it, as well as the producers and others interested, to know what to depend upon.

Inasmuch as the proposal is for authority to use the amount of money we are expending this year for the same purpose, it seemed extremely desirable that Mr. Hutson know in advance what he could depend upon in that regard. With the limitations we have fixed, I think there is nothing which any Senator or anyone who is even apprehensive on the whole subject of subsidies need fear in connection with the adoption of the amendment.

Mr. AIKEN. Then, Mr. President, is it the understanding of the Senator from Kentucky that the \$175,000,000 requested by the Commodity Credit Corporation for 1944 would be applied only in cases of necessity for increased production, and would be used for incentive payments, and would not apply to or be usable for making commitments for rolling back prices?

Mr. BARKLEY. I wish to be perfectly frank with the Senator. I think that in the main the Senator's idea is correct. It might be possible in some particular instance that a roll-back would not be rolled back on the producer so as to reduce the price of his product. It might apply to the control of the increase in the cost of living, as well as to the incentive for production.

Mr. TAFT. I think in order to make it perfectly clear I should add to the amendment the words "to continue its 1943 programs." That is all I think we are asked to do. I ask leave to modify my amendment by adding, at the end thereof, following the words "covering 1944 crops," the words "to continue its 1943 programs." In other words, what the Commodity Credit Corporation has committed itself to do in 1943 it may continue in 1944. I think that will reassure the Senator because its programs are, in general, for the purpose of stimulating production.

Mr. BARKLEY. Mr. President, let me ask the Senator what his interpretation of that language would be. Would it



mean that if the Commodity Credit Corporation wanted to inaugurate a program as to some crop in 1944 which was not in the program for 1943 because of its elimination for some reason, it would not be permitted to do so?

Mr. TAFT. It could come back to Congress. It is coming back in the fall anyway. The Corporation expires on the 1st of July. It will have to come to Congress by the 15th of September with a bill to continue the Corporation. I distinctly understood from Mr. Hutson that all he was interested in was being able to commit himself to a renewal of the 1943 program might be effected. That uncertain whether the programs were to be renewed in 1944 the success of the 1943 program might be effected. That was the thing he was insistent upon. I feel certain that no objection would be raised on his part to inserting those words, if the Senator has no objection.

Mr. BARKLEY. I am raising no objection. I merely wish to obtain the Senator's interpretation of the language.

Mr. TAFT. Mr. President, has the amendment been modified?

The ACTING PRESIDENT pro tempore. The Senator has the right to modify his amendment.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. FERGUSON. I understood the Senator to state that under subsection (d), on page 4, the purpose of the subsidy is only to increase production. What does the Senator interpret the words in line 15 on that page to mean? The language is:

In order to obtain the maximum necessary production of such commodities or to prevent price increases thereof,

Would not that permit a roll-back if it were felt that the price was too high, just as roll-backs are being put into effect today?

Mr. TAFT. I think the language would permit a roll-back. Frankly, these subsidies are not principally for the purpose of increasing production. They are for the purpose of holding down the prices of commodities. There can be no question that the main program, the program dwelt upon by the President in his veto message, is a program to try to hold prices where they are. I do not think roll-backs are necessary. I think the roll-back programs are most unfortunate. I disagree with the policy which has put them into effect. I voted to abolish them in the other bill; but I think we must recognize that this program is not solely for the purpose of increasing production. It is also for the purpose of holding the general level of prices which now exists, in accordance with the Anti-Inflation Act of 1942. I do not think we can gain anything by avoiding that fact.

Mr. FERGUSON. This provision would permit a roll-back in 1944 up to \$175,000,000.

Mr. TAFT. Not with the words which I have added, "to continue its 1943 programs," because none of the Commodity Credit Corporation's 1943 programs involves any roll-back. That is the rea-

son I added the words "to continue its 1943 programs," so that the roll-back question would be entirely eliminated so far as 1944 was concerned.

The ACTING PRESIDENT pro tempore. The time of the Senator from Ohio on the amendment has expired.

Mr. GEORGE. Mr. President, I should like to ask the Senator a few questions in my time.

The subsidies on peanuts, cottonseed, soybeans, and other sources of oil were not granted for the purpose of rolling back prices. They were granted for the purpose of stopping a price rise.

Mr. TAFT. Exactly. I think that was the purpose.

Mr. GEORGE. Having made that statement, I wish to ask the Senator a few questions.

Mr. Henderson fixed the prices of oils at an early date. At first he fixed prices below the existing market prices, which, of course, would have meant bankruptcy to all the processors and purchasers of cottonseed, peanuts, soybeans, and other vegetable-oil-bearing seeds. A great protest arose, and then he moved up the date on which the prices would be frozen, so that the prices approximated existing market prices for most of those products. I speak principally of cottonseed and peanuts.

The purpose of the subsidy is to enable the farmer, not to produce more, but to produce the same amount he was producing at that price. In addition he receives a little subsidy beyond the price which was frozen on that date. However, the O. P. A. did not undertake at any time to control prices by increasing production, which was the common-sense approach to the whole problem. The O. P. A. has always sought to fix prices; and when the prices struck a deathblow to further production, it said "we will pay subsidies." The problem was approached from that single point of view with respect to nearly all prices which have been fixed. There may be some minor exceptions.

Mr. TAFT. I entirely agree with the Senator. I think the policy has laid too much emphasis on inflation control.

Mr. GEORGE. Undoubtedly.

Mr. TAFT. I do not know whether the country agrees with me; but I think there should be appointed a single food administrator, who would take every fact into consideration, and would have power over prices. Before increasing prices he should probably be required to sit in a council with others and obtain the general approval of a board. It seems to me that the present set-up has grossly overemphasized the question of inflation control and put it ahead of every other consideration, when it is only one of two or three very important considerations as to each commodity.

Mr. GEORGE. I agree with the Senator.

What I wish to ask the Senator is, What would be the total amount of subsidies authorized by the joint resolution if this amendment should be approved? On the question of approving the amendment, I think it should be approved. Undoubtedly the Commodity Credit Corporation ought to be able to announce

as early as possible to the peanut growers, the soybean growers, and the cotton growers what the next year's program will be, so that intelligent men may cut their cloth to fit the pattern. When we authorize the Commodity Credit Corporation to continue the same program for 1944 we are, of course, committing ourselves to the extension of the Commodity Credit Corporation, and to subsidies. There is no escape from that conclusion. If they are production subsidies, there is some good common sense in allowing them; but they are not strictly production subsidies. From the beginning the O. P. A. has attempted to do by an indirect method what the Congress aimed to have it do, that is, to stop price rises. It has not acted according to the congressional intent and purpose. It is hardly worth while to discuss the errors of the past. They are many, and they are now firmly imbedded in our economic and political structure. The subsidies affect, and are intended to affect, the economic and political structure. I wish to make that perfectly plain.

I believe, however, that the 1943 subsidies for the production of necessary fats and oils, of which there is or may be a serious shortage at any time, or possibly at all times, should be announced as early as possible. If the O. P. A. had announced the sound policy of putting emphasis on increased production, prices would have taken care of themselves. It could be done even now. We would have to pay some supporting prices in order to enable agricultural producers to exist. However, the O. P. A. will not announce such a policy because it has a different theory. I repeat that past errors have been imbedded in the economic, political, and social structure of America. The only sensible question is, Where are we to go from here, conceding that past errors are imbedded, and that we are not going to correct them.

Mr. REED. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. REED. I should like to ask the Senator from Georgia what takes place when a law enacted by Congress conflicts with the theory of those administering the law. The law gives way; does it not?

Mr. GEORGE. The law gives way; and so long as men such as Mr. Ginsburg write the Price Control Act and other acts, the law will always give way, because such laws are written for the purpose of giving way.

I should like to ask the Senator from Ohio a question. With the \$175,000,000 additional which, as I have said, should be inserted in the joint resolution, what would be the total amount authorized for subsidy payments or for purchases?

Mr. TAFT. It is difficult to estimate. Of course, subsidies are based on an annual figure. I do not believe that increases at all what might be called the annual figure. It leaves it just as it was. It would be somewhat difficult to interpret the \$350,000,000 to the R. F. C. in terms of an annual program. Yesterday I estimated that it should not be doubled in order to determine what the



annual R. F. C. authorization would have to be carried on the program, but perhaps it might be raised to \$500,000,000. I believe that yesterday I estimated that the joint resolution would authorize a program costing possibly \$700,000,000 annually, including everything. I do not believe that the figure \$350,000,000 for the R. F. C. would mean a cost of \$700,000,000 for the year. The R. F. C. must also make annual commitments, and it cannot make annual commitments except within the limit of \$350,000,000.

Mr. GEORGE. Mr. President, I should like to propound another question to the Senator from Ohio. Section 2 of the joint resolution would increase the borrowing power of the Commodity Credit Corporation from \$2,650,000,000 to \$3,000,000,000, would it not?

Mr. TAFT. As the joint resolution came from the House, \$350,000,000 is the total increase in borrowing power. That has no direct relation to the subsidy question. The Senate approved an allowance of a billion dollars for the Commodity Credit Corporation in the first bill which it passed. The Commodity Credit Corporation must have cash in order to buy. A subsidy program which might cost \$25,000,000 might easily require the expenditure of \$200,000,000 in order to buy the goods necessary to be bought to be sold at a loss. So the total authorization has no relation to the subsidy program.

Mr. GEORGE. As I understand, the Senator estimates that the subsidy program, or the purchasing and selling program would cost approximately \$700,000,000.

Mr. TAFT. That is my best judgment.

Mr. WHERRY. Mr. President, will the Senator from Ohio yield to me for a question?

Mr. TAFT. I cannot yield, because I do not have the floor. My time has expired. I shall be glad to attempt to answer a question.

The ACTING PRESIDENT pro tempore. The Senator from Nebraska is recognized.

Mr. WHERRY. I should like to ask a question of any Senator who can supply the answer. Perhaps the majority leader can do so. I should like to know if the entire \$700,000,000 could be used, if necessary, for a roll-back without using any of it for a subsidy for production.

Mr. TAFT. The \$175,000,000 is committed to existing programs, which are not roll-backs. So far as the R. F. C. program is concerned, it is used for roll-backs. When I use the figure \$750,000,000, I do not mean that we are committed to that amount.

Mr. WHERRY. I understand.

Mr. TAFT. I say that if the R. F. C. should put into effect certain programs, which it could do under the authority of the joint resolution, if we should choose to continue them for the year, I estimate that it might cost \$500,000,000 altogether, including the \$350,000,000.

Mr. WHERRY. Does the Senator mean that the last amendment which he offered does not provide money for roll-backs?

Mr. TAFT. No; the last amendment does not, because it would only authorize

the Commodity Credit Corporation to continue its 1943 programs. Since none of the Commodity Credit Corporation's 1943 programs are for roll-backs, this amendment would not in any way authorize roll-backs.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Ohio, as modified, to the committee amendment.

Mr. McCLELLAN. Mr. President, a parliamentary inquiry.

The ACTING PRESIDENT pro tempore. The Senator will state it.

Mr. McCLELLAN. Is the pending amendment merely a perfecting amendment or is it an amendment to the committee amendment?

The ACTING PRESIDENT pro tempore. It is a perfecting amendment.

The amendment to the amendment was agreed to.

The ACTING PRESIDENT pro tempore. The question now recurs on agreeing to the committee amendment as amended.

Mr. AIKEN. Mr. President, I should like to speak on this question before it is voted upon. I should like to point out what has been the effect of the roll-back subsidy program so far.

This administration roll-back and subsidy program has already had an adverse effect upon American agriculture. Its proponents claimed there would be no reduction in price to the farmers. That claim has already been refuted by the Bureau of Agricultural Economics. That Bureau publishes prices for farm products on the 15th of each month. On April 15, before the roll-back announcement was made, the price of butterfat was 51.3 cents a pound. On May 15, after the roll-back program had been announced, the price had dropped to 50.6 cents a pound, or a reduction of 1.4 percent.

On June 15, after the roll-back had been put into effect, the price of butterfat had dropped to 49.2 cents a pound, or a reduction of 4.1 percent.

This decline in price cannot be attributed to a seasonal condition, since the Government's floor price of 46 cents for 92-score butter at Chicago was supposedly in effect. What has occurred is that the reduction in price was rolled back on the farmer in spite of administration claims to the contrary.

The average reduction of 4.1 percent in the price of butterfat to the producer does not mean that the price of all farmers is being reduced this amount. It means that a part of them, probably 59 or 60 percent, are getting a subsidy from their processors, while the remainder, about forty-odd percent, are not.

Translated into terms of individual farmers, the number who are not receiving a subsidy will probably exceed 50 percent of the whole, and those who are not receiving it are the smaller farmers upon whom we are told we must depend largely for an increase in our national production.

The effect upon the meat producers is not quite so clear, because the roll-back was announced while there was a fairly rapidly falling market. For instance, on

April 1 choice steers were quoted in the Chicago market at 17.38. That price fell week by week until on May 7, the last week before the roll-back was announced, it had fallen to 16.75. When the roll-back program was announced, cattle stock stopped coming into the market in the same quantity they had previously been coming, but the price remained stationary at 16.75 a hundred until the roll-back was put into effect, when the price started going down again in spite of the fact that not much more than half the normal amount of beef cattle was coming into the market.

Mr. REED. Mr. President, will the Senator yield?

The ACTING PRESIDENT pro tempore. Does the Senator from Vermont yield to the Senator from Kansas?

Mr. AIKEN. I yield.

Mr. REED. I want to add to what the Senator from Vermont has said that the normal effect of a reduced volume of prime steers received on the primary markets would have been to increase the price, and the number of cattle shipped to the market sharply fell off because of the uncertainty as to the price situation. Is that correct?

Mr. AIKEN. It is quite apparent that if the O. P. A. had left the market alone the price would have fallen at least the amount which they ordered it reduced, and presumably more. The market was upset so cattle stopped coming into the market. I think the last week or the week before—I forget which—Mr. Elkington testified before the committee and told us that about 90,000 head of cattle came into the market compared with a normal supply of 150,000. In other words, the shippers were so upset that they did not know whether to ship or not, and so they held their cattle back, and, therefore, there was a very short supply in the market.

Mr. REED. The natural effect of which was to raise the market price, whereas a normal receipt of cattle would have lowered the price probably as much as the O. P. A. was trying to secure.

Mr. AIKEN. With respect to cows on April 2 the price was 14.38 good, all weight. That had fallen to 13.63 on May 7, when the roll-back program was announced. It stayed practically stationary until the roll-back was put into effect, and then the price started down again, as I say, in spite of the short supply coming into the market.

Hogs dropped from \$16.10 a hundred down to \$14 on June 18, according to the figures which I have. The price now is just about the same. That is about a 13-percent reduction in the price to the farmers since April 1.

Sheep have also gone down. So it is very difficult to tell to what extent the reduced price is due to the O. P. A. roll-backs and to what extent it is due to the seasonal or natural drop in price which had taken place and which was interrupted by O. P. A. regulation.

Mr. President, it seems to me incredible that the executive department either cannot see what it is doing to the low-income farmers of the United States or has completely reversed its professed



sympathetic attitude for the poorer people.

According to Department of Labor Bulletin No. 723, of last October, which is the latest I have, only 7 percent of all the farmers of the United States have net money income of \$3,000 a year or over. Seven percent more have between \$2,000 and \$3,000; 8 percent have between \$1,500 and \$2,000; 10 percent have between \$1,000 and \$1,500; 16 percent have between \$500 and \$1,000; 34 percent have between nothing and \$500 a year to live on, while 18 percent of all the farm families in this great rich country of ours receive less than no net money income at all with which to support their families after paying the cash expenses of the farm. In other words, according to the labor statistics which were published last October, 68 percent of all farm families had a net money income of less than \$1,000 a year. These are people who are being affected by this roll-back in prices; these are the people who are being penalized by the action of the O. P. A. in rolling back prices to the consumer, and so on down the line. It is finally being rolled back upon those least able to stand it.

On the other hand, 64 percent of all the nonfarm families had a net income of \$1,500 a year or over. These are the people who would benefit most from the roll-back program. The city family with a net income of \$500 or \$1,000 or less than \$1,500 a year is not buying much tenderloin, which is reduced most in price, and is not buying much butter in these days.

Let us see who pays the cost of this fantastic roll-back and subsidy program. The net income of the United States for this year is estimated at \$140,000,000,000. It is further estimated that the taxes paid by individuals will amount to \$16,000,000,000, leaving \$124,000,000,000. It is further estimated that the ordinary consumer expenses will be about \$82,000,000,000. This still leaves \$42,000,000,000 of income in the hands of the people. Insurance payments, debt payments and investments in Government bonds are expected to account for \$25,000,000,000 more, leaving \$17,000,000,000 of excess spending money in the hands of those who have earned it. This \$17,000,000,000 is considered by Government officials an inflationary threat against which provision must be made.

The utter fallacy of the administration's roll-back program is shown most clearly by the fact that the excess purchasing power is supposed to be in the hands of those who would derive most of the benefit from the roll-back program. These are the people who, we are told, must pay the increased taxes of the Nation. So what the executive department is proposing to do is to cut the cost of living for these people, these higher-income consumers, and then send them a bill for it.

The net result of this weird program, if it is permitted to go on, will be this: The status of the low-income consumers will be virtually unchanged; half the farmers of the United States will have a sharp reduction in the price they receive for meat and butterfat and other

products if the scheme is extended. There will be a decrease in the production of food in the United States. It will be more than a seasonal decrease from now on. There will be an increased threat of inflation due to the fact that the subsidy program will still further increase the spending power of those who already have an excess of \$17,000,000,000, according to Government experts. To counteract this threat, more taxes must be levied upon them. There will be a strong threat toward the creation of monopolies, because in order to qualify for subsidy payments a greater percentage of farmers will be forced to market through the great packing houses.

The subsidies are not given to anyone who processes less than 4,000 pounds of meat or a thousand pounds of butter a month. That cuts out the direct farm-to-market sales: It penalizes the sales from the farm to the local store or to the neighbors.

No representative of any great meat-packing company has asked to appear before the food committee to protest this roll-back subsidy program, because it is playing directly into their hands and will result in virtual elimination of their independent competition.

As Members of Congress, I think it is our plain duty to oppose the establishment of either economic or political monopolies in the United States.

The amendment which has been offered by the Senator from Ohio appears to me to write the subsidy system into the basic law of our land. I do not think we want to do that. The administration went ahead with this roll-back and subsidy program contrary to the wishes of Congress, and it seems to me that rather than approve this violation of the desire of Congress, it is much better to defeat the amendment and to leave the situation as it is now, with Congress on record against such a weird and unworkable program, and leave the executive branch in a position of violating it if it sees fit to continue to do so. Certainly I do not intend to vote to legalize the action which has been taken, and I do not think it should become part of our law.

Mr. President, rather than take any great time now, let me say that I have here a very excellent editorial entitled "The Role of Subsidies," which appeared in the New York Times yesterday. It is worth reading, but I know how much everyone desires to get home, and how every minute counts.

The ACTING PRESIDENT pro tempore. The time of the Senator from Vermont on the amendment has expired.

Mr. AIKEN. I shall take my time on the bill. I ask to have printed in the RECORD along with my remarks the editorial from the New York Times to which I have just referred.

I also have a statement which has been issued by the so-called Big Four farm organizations, which I should like to have printed in the RECORD immediately following my remarks.

The ACTING PRESIDENT pro tempore. Is there objection?

There being no objection, the editorial and statement were ordered to be printed in the RECORD, as follows:

#### THE ROLE OF SUBSIDIES

The President's veto message on Friday raised two grave problems: First, what policy Congress and the administration should now adopt with regard to subsidies; and second, what the relationship of the President and Congress will be in dealing with the whole domestic economic problem.

Neither in its arguments nor in its tone was the President's veto message reassuring. Whatever the defects may have been in the bill the President vetoed (and it was altogether proper that he should have drawn attention to these and asked for their correction), it is clear that Congress has been more nearly right on the whole subsidy issue than the President. In the present crisis, it is true, Congress should not attempt to forbid subsidies altogether. Even if there were no such thing as a good subsidy, there would still be such a thing as a subsidy that is the lesser of two evils in a specific situation. Whether a subsidy is more desirable than its alternative is a question that can be answered only for a specific commodity under specific circumstances.

It would not be difficult to show that the specific subsidies that have been most in dispute—the roll-back subsidies on meat, butter, and coffee, and even some subsidies that Congress has quietly accepted, such as that on petroleum—have been either wrong in principle, inconsistent with other policies of the Government, or calculated to do more harm than good in the method of their administration. It was for these reasons among others that Chester C. Davis felt obliged to resign as Food Administrator. His letter to the President did not contain any blanket condemnation of subsidies, but pointed out that the "broad general subsidies" announced by the President would be ineffective "in controlling inflation unless they are accompanied here, as they are in England, by current tax and savings programs that drain off excess buying power, and by tight control and management of the food supply."

Certain general principles should be clear. Subsidies cannot be considered a primary weapon against inflation. They do not in the least deal with its basic causes. The best they can do is temporarily to mitigate certain of its symptoms—always at the risk, which must never be lost to sight, of building up far worse evils in the future. They are at best, therefore, a secondary and minor weapon in the battle against inflation. They play something like the role of dynamite in building a road; and, like dynamite, should be handled only by experts. In no case should they be used as a substitute for genuinely basic measures, but only as a supplement to them. The harm of using subsidies too cautiously would be minute compared with the harm of using them too recklessly.

Yet the President talked in his veto message not only as if he considered subsidies a major weapon in the battle against inflation but almost as if it were the most important single weapon against it. Of Congress' action against subsidies, he declared: "This is an inflation bill, a high cost of living bill, a food shortage bill. \* \* \* It will have a devastating effect upon our economy and our war effort. \* \* \* This measure will make it virtually impossible to institute any additional measures to reduce the cost of living or even to hold the line."

One reason that Congress has been profoundly suspicious of the whole subsidy program is that it has no confidence that the administration will administer it with care and skill and within strictly defined limits. The President's veto message is hardly reassuring in this regard. It is true that the



President declared at one point that subsidies "should be applied only in strictly limited and clearly defined circumstances." But he went on to say that Congress must leave with the executive branch "the means of seeing to it that further increases in producers' prices do not increase the cost of living." When one considers that the roll-back of meat and butter prices, according to the calculation of the Office of Price Administration itself, will reduce the cost of living only 1 percent, though this subsidy alone will cost hundreds of millions of dollars a year, one can only imagine the dimensions of a subsidy designed to prevent any further increases in living costs—especially with the administration policy of continuing to boost industrial wages, which have already raced far ahead of increases in living costs.

It was gratifying to find the President suggesting, at the end of his message, that "in this task of saving our free economy, Congress and the Executive must work together as a team." But, with the exception of one or two such lines, the implication of the whole message was that the chief duty of the congressional member of the team was to nod approval, and that if Congress failed to approve the President's subsidy program in its entirety he would place upon it the full blame for any failure in the whole anti-inflation program. Surely a more conciliatory spirit and a more extensive use of consultation and compromise are essential to the conception of working together as a team.

WASHINGTON, D. C., July 4.—In a Fourth of July declaration, the four major farm organizations of America restated their unalterable opposition to the administration's subsidy-roll-back program. While asking for continuation of the Commodity Credit Corporation, they suggested that the limit of 6 months be shortened until a reasonable time after the return of the Congress.

They also asked for further limitation on the amount of money which could be used by the administration in forwarding its subsidy program during the recess period.

The organizations opposed the Taft amendment to the House extension resolution on the grounds that it authorized some subsidy programs which to date have not had the sanction of Congress and which they believe to be opposed by a great majority of the American people.

This action by the farm organizations followed a behind-closed-doors meeting of the Senate Banking and Currency Committee late Saturday afternoon which was attended by Messrs. James F. Byrnes, Director, Office of War Mobilization; Jesse Jones, Secretary of Commerce, and head of the Reconstruction Finance Corporation; Prentiss M. Brown, Price Administrator; and Jack B. Hutson, president of the Commodity Credit Corporation.

The statement follows:

"The American Farm Bureau Federation, the National Grange, the National Council of Farmer Cooperatives, and the National Cooperative Milk Producers Federation, oppose addition of the Taft amendment to the House resolution temporarily extending the life of the Commodity Credit Corporation. This amendment savors of congressional approval of the principle of subsidies both to consumers and producers by way of putting a congressional blessing upon administrative acts which may or may not have been legal. Such action, in view of the known majority opposition of both Senate and House to subsidies for roll-backs of retail prices of foods or subsidies in lieu of necessary price adjustments to producers to secure and maintain adequate food production, would be a farcical surrender of a fundamental principle.

"We believe such action would be most distasteful not only to the vast body of hard-

working tillers of the soil who are fighting a war on the food front to save American institutions which would be sadly impaired by the imposition of unneeded and unwanted subsidies but also to the majority of American people.

"We ask the Senate to kill the Taft amendment and any other amendment which would permit unrestrained use of subsidies during the congressional recess. We also point out that the 6-month extension of the life of the Commodity Credit Corporation is unnecessarily long if Congress is of a mind to prevent during its recess the fastening of subsidies upon the American public so thoroughly that the people receiving subsidies may, by the time Congress returns, be afraid to change the situation. For that reason we also hope that the Senate in considering the House resolution will safeguard the expenditure of funds and the use of Government credit to prevent subsidies from becoming an integral part of our economy.

"The sterile formula of subsidies means so many more billion dollars added to our already inflated economy. It means the passing on of our current food bill to be paid by our boys returning home after the war and by future generations. It means the eventual break-down of our entire economic system with its inevitable train of social unrest, chaos, and evolution into dictatorship.

"This should be clearly understood by all:

"1. The subsidy program is the shortest and surest route to credit inflation. Credit inflation is the most dangerous type of inflation. Credit inflation destroys the total value of money.

"2. Subsidy programs in lieu of fair prices are not suited to American needs. They irritate and distress producers. They reduce production.

"3. Subsidy programs help the consumer very little.

"4. Subsidies are a vicious attempt to vassalize great masses of the people making them dependent economically and politically upon 'the centralizing power of government.'

"5. Subsidies have neither prevented inflation nor black markets in England, whose moves are prompted by an economy in reverse of our own.

"6. An argument of sophistry has been advanced to the effect that those opposing subsidies had offered no substitute plan to combat inflation. Well-considered programs have already been offered, and we call attention to the fact that the administration presented its own anti-inflation plan to Congress. That plan became law in January 1942. In September the administration asked for further power, which was granted in the act of October.

In this and other acts Congress has given the administration full authority to stabilize wages and prices. It now remains with Congress to absorb the excess purchasing power of the Nation by immediate and drastic additional taxation.

"The roll-back subsidy program is a desperate effort on the part of the administration to appease the unwarranted demands of labor leaders and to cover up its own failures to use effectively the very broad powers it already possesses to control inflation. It has failed to prevent the worst wage inflation in the history of the Nation. Today we are reaping the consequences in increased production costs, which necessarily require some adjustments in price ceilings.

"Now the administration is embarking upon a colossal debt inflation and thereby avoiding paying fair prices for food in the market place and avoiding the collection of sufficient taxes to drain off the ever-growing volume of excess purchasing power.

"Of all forms of inflation, debt inflation is the most dangerous and disastrous.

"We are now at the crossroads of national policy. There can be no compromise on the

question of subsidies in lieu of fair prices in the market place."

EDWARD A. O'NEAL,  
President, American Farm  
Bureau Federation.

ALBERT S. GOSS,  
Master, The National Grange.

EZRA T. BENSON,  
Executive Secretary, The National  
Council of Farmer Cooperatives.

CHARLES W. HOLMAN,  
Secretary, National Cooperative  
Milk Producers Federation.

Mr. McCLELLAN. Mr. President, it is not with any thought that my remarks will influence the action or votes of any of my colleagues on the pending measure that I rise, but I feel so deeply about the principles involved in this proposal that I wish to make my position clear for the record.

Obviously, on the surface this is just another day in the United States Senate, but if the pending amendment to this joint resolution shall be passed, we, by so doing shall this day give our sanction, as representatives of the American people, to the doctrine, the principles, and philosophy in the proposal, some will look back on this occasion in the future with great misgivings.

I do not like to find myself in disagreement with the majority of my committee, the Committee on Banking and Currency, and most unhappy am I to find myself at any time in disagreement with the Chief Executive of this Nation, especially so in times of great peril, when the Nation and the people should be united and concentrating all their energies and strength on the great objective, to win the military victory, and while doing so, to preserve our democracy and our liberties here at home.

I believe men in public life and holding positions of trust who are worthy should, when the challenge comes, be ready, able, and willing to meet it with conviction and courage and do their duty to their country, regardless of whom we may find ourselves in disagreement with. It is for that reason that I wish to make these remarks, and in order that there may be no doubt now or henceforth as to my position on this serious issue.

At the outset, Mr. President, I want the RECORD to disclose that I should like to vote for the House joint resolution extending the life of the Commodity Credit Corporation, an agency which renders worthy service, and which should be continued. When Senate bill 1108 was introduced in the Senate originally to extend the life of this Corporation, and when it was before the Banking and Currency Committee, there was no reference in the bill to subsidies and roll-backs. It was merely a bill to extend the life of this valuable governmental agency. While the bill was pending, this program of roll-back prices and subsidies to support it was announced.

Then in the committee there was placed in the bill an amendment providing that any moneys used for that kind of program should be appropriated by the Congress. I shall not review the entire history of the bill, but because that program had been announced, and, as



many of us thought, without legal authority, without law to support it, the Congress undertook in the bill to prohibit the program. After many amendments had been offered, and after running its course, the bill was finally passed by a large majority in both Houses of Congress. It then went to the President, carrying with it the prohibition of a roll-back and subsidy payments to support it. The President, in the exercise of his prerogative, and his duty under his conviction, vetoed the measure. In his message he took the position that he could not share the responsibility which Congress would assume if it passed the bill over his veto.

Mr. President, with equal sincerity and humbleness on my part, I do not wish to share the responsibility of the inauguration or support of this character of program. I shall not place myself in such a position that, when our boys come marching home from the field of honor, where many of their comrades have made the supreme sacrifice to preserve our country, I shall have to look them in the face and blush in shame and admit that while they were fighting, and many dying, I was unwilling to make some sacrifice, to suffer some discomfort as a contribution to the winning of the war; that I voted to charge any part of my grocery bill to them, their children, and future generations.

Here we are today with the greatest national income we have ever had, with a standard of wages higher than ever before in the history of the country, and because the machinery of government we have set up for this emergency, to try to hold the line here at home, has failed, the administration is now asking for subsidies to roll-back prices and to hold down prices. This is acknowledgment of failure on the part of the administration. In spite of the law given to the administrative branch of the Government when the Price Control Act was passed absolutely delegating authority to stabilize prices and wages. They now come back to the Congress and say, "We have failed. With all the authority, we could not do it, and now, in order to cover up our failures, let us roll them all into one, into one great big bundle, a bigger mistake, and call them subsidies." It is then proposed that we pay those subsidies, not from our earnings, not from the greatest income America has ever had, but that we shall charge the bill to our children, and to future generations, and let them pay the bill. This is the remedy offered, to pile up more billions of national debt in the days of our greatest purchasing power and prosperity.

I may not have the whole answer, but I know this remedy is wrong. I know that it cannot be defended a year from now. It cannot be defended tomorrow. It cannot be defended in the presence of the boys when they come home from the fields of battle with their scars and wounds. When they come home they are going to ask you and me, for we are the ones who are responsible, "While we were sacrificing, while we were giving our all, what did you do on the home front? What did you do in the Congress?

Are you one of those who failed us and charged to our children a part of your food bill while we were fighting to save the very life and existence of our Nation?"

Mr. President, I shall not be a party to doing anything like that. I cannot vote for the joint resolution, because it will simply result in placing a heavier and unnecessary burden on future generations.

Mr. President, we are told that the roll-back will stop at the processor. It will not stop there. Senators have seen the O. P. A. machinery work, have they not? How well has it functioned to date? We can begin by saying that it has made fundamental mistakes, and on top of the fundamental mistakes it has made other grave mistakes. It will fail again. The effort to stop the roll-back before it strikes the farmer will be both feeble and futile, if we are to judge its future efficiency by its performance in the past.

It is now proposed to make sure it is given the authority and sanction of law by passing the pending joint resolution, so it may put into force a roll-back which it is going to manage and which it is going to undertake to control. Mr. President, I say that in my humble judgment there is not enough business wisdom in the O. P. A. today. In spite of the high respect and esteem I have for its chief—there is not enough business wisdom in it today to administer what it is proposed that Congress shall authorize it to do, and to be able to keep the roll-back from going against the farmer. That is where it is going to land. I do not want to have any part of the responsibility for such program.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield.

Mr. TAFT. Does the Senator from Arkansas say that we were authorizing the O. P. A. to put the roll-back into effect? Does not the Senator understand that the O. P. A. has already put the roll-back into effect; that it has an opinion from the Attorney General saying that the laws Congress has passed authorized the O. P. A. to put the roll-back into effect? So how can the Senator say that we are authorizing a roll-back today?

Mr. McCLELLAN. The amendment offered by the Senator from Ohio, which is now the committee amendment, specifically authorizes the payment of subsidies to control prices. If the O. P. A. already has the authority, as the Senator contends—and the Senator knows it is doubtful, and so do I, though the O. P. A. has taken that position—then why authorize the O. P. A. again to put into effect the roll-back?

Mr. TAFT. The reason for the committee amendment is to limit the O. P. A.'s power to put roll-backs into effect. That is the only reason I am sponsoring the amendment.

Mr. McCLELLAN. The same thing could be done by a simple appropriation for the purpose, without again expressly by law giving authority to pay roll-back subsidies.

Mr. TAFT. No, Mr. President; I think the Senator is mistaken. It cannot be

done by a simple appropriation. It cannot be done by a simple law. We tried to prohibit the roll-back by passing a measure, but it is null and void today.

Mr. McCLELLAN. The Senator admits that the O. P. A. is putting the program into effect today?

Mr. TAFT. Yes; but the Senator said that we were proposing by the passage of the joint resolution to authorize the roll-back program which is now in effect. I question the Senator's statement that we are in any sense authorizing today the putting into effect of a roll-back, when it is already in effect.

Mr. McCLELLAN. My interpretation of the Senator's amendment, which is now the committee amendment, is that it would authorize the putting into effect of a roll-back; that it places the sanction of the Congress on what is now being done.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield.

Mr. AIKEN. I must insist that the Congress to this day never has authorized any subsidy program for roll-backs. We have authorized subsidies for increasing production, but we have never authorized any subsidy program for roll-backs. Not only that, but we have gone on record time and again as opposing it, and that is where we stand today. I think we had better stand right there, instead of authorizing subsidies of this nature and writing them into the law of the land.

Mr. McCLELLAN. I thank the Senator. That is exactly my position.

Mr. President, I do not care to discuss the question further. I simply wish to make the record, and I expect to stand by it and to face the fighting men of America when they return home, and my constituents, on that record. I expect to stand on that record when they come back and ask me for an accounting of my stewardship while they fought and risked their lives for us.

Mr. President, there appeared this morning in the Washington Post an article by Merlo Pusey, which I have read. I do not say I subscribe to every view expressed in it. The title of the article is "On One Front We Only Retreat." On the battlefields our boys are not retreating. On the battlefields of our domestic economy the Congress of the United States, in my humble judgment, if it passes the proposed legislation, will start a backward march. It is proposed that we appropriate more than one-half billion dollars for a 6 months' period to feed ourselves in time of the greatest prosperity. That is only the beginning. When the original bill was on the floor of the Senate I said that in my humble judgment we were beginning a \$25,000,000,000 mistake if this program was pursued. I make no retraction of that statement. I am sincere about it. For example, we are starting in now. This is the incipency of it. Look back into the history of the Nation during the past 10 years. How many programs have we begun? How many have we been able to abolish? This thing cannot be ended if we yield now. Let us hold the line on



our economic front. I am unwilling to join the retreat.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. McCLELLAN. I ask unanimous consent to have printed in the RECORD, as a part of my remarks, the article by Merlo Pusey to which I referred, published in the Washington Post of today.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WARTIME WASHINGTON—ON ONE FRONT WE ONLY RETREAT

(By Merlo Pusey)

"We must be prepared in total war," said President Roosevelt in his message vetoing the bill restricting consumer subsidies, "to accept a substantial cut in our accustomed standards of living." That cliché has been repeated so many times that every American must be familiar with it. But no one seems to take it seriously, least of all the administration itself. On the contrary, the Government is pouring out billions upon billions of dollars to swell corporation profits and increase the purchasing power of the masses in wartime.

After the last war the Nation vowed solemnly that next time no American would be permitted to get rich at home while their fellows were fighting in the mud of Europe. But in the heat of the present battle that good resolution has all but melted away. To be sure, Congress passed an excess-profits tax and feeble efforts have been made to stabilize wages and prices. But the unvarnished truth is that the Government is pouring money into the pockets of certain favored groups more lavishly than it has ever done before.

One of the clearest pictures of what is happening comes from a speech by Representative ENGEL to the House last week. On his recent tour of war plants he found many instances of farmer boys, gasoline-station attendants and drug store clerks earning from \$20 to \$110 a week in war plants. An assistant foreman in a Government arsenal at \$4,000 a year had been lured away by an offer of \$11,500 a year. An 18-year-old girl who formerly sold ribbon in a dime store was making \$65 a week—more than the base pay of a major in the Army. Machine-gun assemblers are paid as much as \$3,740 a year, which is more than the base pay of Lt. Gen. Brehon Somervell, who commands the entire supply system of the Army. Girls learning to mend shoes get \$55.80 a week in pay and per diem from the Government, while young men are drafted into the Army at \$50 a month, plus food, clothing, and shelter.

Compared with what they were earning before, millions of Americans are getting rich out of the war. At present there is a strong temptation to close our eyes to this fact and rejoice that Mary Smith and Jim Jones have been able to get such good jobs. But we must not forget that the Government is borrowing most of the money required to pay Mary Smith and Jim Jones sixty or a hundred dollars a week. Their high wages are reflected in the cost of tanks, guns, and airplanes that we must have to fight the war. And every cent that is borrowed for this purpose will have to be repaid from taxes. Remember, too, that some of these taxes will have to be paid by the girls who remain in dime stores at \$16 a week and by the soldiers who return home to lower-paid jobs when the war is over.

Excess profits paid to corporations with war contracts must also come from the taxpayer's pocket. In a study of 48 corporations doing war work, Mr. ENGEL discovered that 16 were earning from 10 to 20 percent (after taxes) on the market value of their stock; 11 were earning from 20 to 54 per-

cent. War profits are being substantially reduced by renegotiation of contracts and by excess-profits taxes, but apparently the Government has not gone far enough in either direction.

The reckless outpouring of billions in excess wages could be more readily justified if the Government were taking a large part of it back again in taxes. But the final reckoning at the end of the fiscal year shows that taxes cover less than one-third of our total spending. In the current year the Administration plans to spend nearly five times as much as it collected in the year just passed. Yet the Treasury has presented no specific plan for new taxes and Congress has originated none of its own.

Instead of going all out for new taxes to slow down the cyclone of inflation, the President is demanding new subsidies that will further increase the purchasing power of war workers and other consumers. In his veto message he attempted to justify these subsidies by saying that the cost of living has gone up about 6 percent since last September. He refused to face the fact that average hourly earnings have also gone up by about 6 percent in the same period, and that average weekly earnings have advanced 12 percent. In other words, take-home wages are expanding twice as fast as the cost of living. Yet the President contends that it is necessary to borrow more money to pay food subsidies in order to keep wages from going up still more.

Perhaps the saddest aspect of this ruinous policy is the fact that it deludes millions of workers into thinking that a new formula for prosperity has been discovered. They see only the exorbitant wages going into their pockets while their Government prates of wartime sacrifices. They do not now realize that these wages can be paid only by mortgaging the future—that they leave us with the choice of back-breaking taxation for many years to come or an explosion that will blow our economic system to pieces.

Instead of using all its powers to correct this illusion, the Government is postponing new taxes and coddling us with consumer subsidies. Instead of requiring sacrifices at home while our men in uniform are fighting and dying abroad, it is imperiling the future by permitting, if not encouraging, a wild dash for the more abundant life on borrowed money. On this front we face grave danger of a ruinous defeat, and precious little is being done about it.

Mr. WHERRY. Mr. President, the Emergency Price Control Act of 1942 authorized subsidies only to increase the production of agricultural commodities. While it is true that the senior Senator from Ohio [Mr. TAFT] has quoted the Attorney General of the United States as giving it as his opinion that according to the provisions of the Price Control Act of 1942, subsection (e) of section 5, it is legal to pay a roll-back, yet I am quite sure that in the mind of the senior Senator from Ohio he absolutely disagrees. Certainly the senior Senator from Georgia [Mr. GEORGE] has given us a clear, clean-cut statement relative to his interpretation of the Price Control Act provisions relative to the payment of subsidies. The only interpretation that can be made of subsidy payments, if subsidies are to be paid, is that they are to be made to increase agricultural production, and not to be used as a roll-back, paid as a bonus to the consumer.

Mr. President, I respect the judgment of the senior Senator from Ohio, and I certainly think he has done a tremendous amount of work in his attempt to

straighten out the predicament in which we find ourselves. But if we agree to his amendment, according to his own statement, not only will the R. F. C. and the Commodity Credit Corporation be permitted to use the \$500,000,000, but I believe that even in the light of the last amendment proposed by the distinguished Senator the R. F. C. and the Commodity Credit Corporation can use the whole \$700,000,000 for a roll-back and not pay one dime of it as a subsidy to increase agricultural production. That is what has absolutely decided me to vote against the Taft amendment.

I do not want to sanction the payment of subsidies under the theory of doing it to increase agricultural production and pay the taxpayer's money as a roll-back to the consumers.

I am just as interested in the consumer as is the senior Senator from Ohio, but this is illegal and unfair. There is something else I should like to call to the Senate's attention, that subsection (e) of section 5 permits the President to transfer any part of the sum authorized under paragraph (c) thereof for use under paragraph (d), or any part of the sum authorized under paragraph (d) for use under paragraph (c). That means that Mr. Hutson, the head of the Commodity Credit Corporation, will be the one who will administer the act and use the money for the purpose of roll-back payments. I have talked to Mr. Hutson. I heard his testimony. I know how he feels about roll-backs, and I know how he feels about the production of food, especially cattle and hogs. Congress is primarily interested in meat, butter, and tobacco when it considers this program; at least, that is what Congress considered when this subject was first considered on June 15. Mr. Hutson says there are too many cattle in the country. Mr. Hutson gave the figures; he stated that there are 78,000,000 cattle in the country today. He said we have 38,000,000 beef cattle; that we have more cattle than we can feed, and, therefore, the only remedy is to narrow the feeding margin so as to force the cattle off the plains, onto the market, and not feed them corn. That was the only solution he offered to the group of Corn-Belt Senators who went to interrogate him, and who were endeavoring to bring about some relief to the men who are feeding cattle, so that we could be sure that replacement cattle would go into the feed lots. That was the only answer Mr. Hutson gave. In face of the fact that a week ago the military authorities lacked 30 percent of the meat they need to meet their requirements, that was his answer. Where will we get the beef cattle to meet civilian needs as well as military needs?

Mr. Hutson's answer is that we have a surplus. If we have a surplus, I think the Senator from Maryland [Mr. TYNGES] yesterday suggested the solution. If we have a surplus, let us get the surplus on the market. Let us increase the quotas. Let us cut out the rationing. Let us slaughter the cattle and get the meat where it belongs. That will do more good in the way of reducing the retail price than would be done by all



the legislation that is proposed to be written into this measure.

I have received a telegram which I shall read into the RECORD at this point as a part of my remarks. It comes from N. B. Updike, at Omaha, Nebr.:

OMAHA, NEBR., June 29, 1943.

HON. KENNETH WHERRY,  
Senate Office Building,  
Washington, D. C.:

People out here cannot understand why meat is rationed at all. According to everybody's belief and all dispatches from Washington show there is plenty of hogs and cattle on hand and there no doubt will be more as many people have done what the administration asked them to do, increase their herds, and are still at it. For what reason are packers held down by quotas as to the amount they can kill?

N. B. UPDIKE.

The farmers were told to increase production. As the Senator from Kansas [Mr. REED] said 2 or 3 days ago when he spoke so ably on the floor of the Senate, the farmers produced 125,000,000 head of hogs, and yet Mr. Hutson says we have 25,000,000 too many, and that therefore they must be brought into the market unfinished. Today a premium is being placed on hogs of less than 200 pounds weight. That is one way to bring them in; but the spread on butchered hogs is being made nearly \$1 a hundred, which means this administration is not keeping faith with the farmers whom they asked to produce more hogs.

If we have a surplus of hogs, let us discontinue the rationing, let us remove the quotas, let the cattle and hogs be killed and placed on the market. When that is done production and processing will be increased. That will be a better way of reducing living costs than by any roll-back legislation. We need to get beef to the country through legitimate dealers without restriction. That is what will get more cattle into the markets; it will put more cattle into the feed lots, and we will get the meat which is needed not only for the armed forces but for our civilian population as well.

These shortages do not occur only in Nebraska. I went to the market in Alexandria Saturday night to buy some meat for Sunday. What did I find? The market to which I went had been in existence for 24 years. The man behind the counter said, "Senator, I have no meat. I have not had any for 2 days."

I said, "What is the trouble. Don't you have your points?"

He said, "I have 150,000 meat points, but I cannot get a pound of beef in Washington."

Does that solve the problem? Has this administration solved the problem? What we want is meat. If the Senate agrees to the amendment and passes the joint resolution, will we get the meat? Absolutely not. There is no incentive for the producer to produce more meat under the provisions of the statute. Why, the subsidy that is paid gives a bonus to the consumer. That will not produce more meat.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. TAFT. Suppose the amendment is rejected. How would that accomplish any of the purposes?

Mr. WHERRY. I should prefer to let the matter go back to the House and have a whole new price structure written. This program has not been authorized, and I should prefer to fasten the responsibility squarely on the shoulders of the administration to solve the problem. That is its job. It certainly has not solved it yet; and, believe me, until something is brought forth that is constructive it will not be solved. I will not be a party to authorizing the administration to pay a roll-back under the guise of a subsidy; and I say that a continuation of the policy of Mr. Hutson will not only drive the cattle and hogs off the farms, but it will drive the cattle feeders and the hog feeders out of business, and there will not be any meat 6 months from now.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. Is it the Senator's attitude that he would prefer to throw the whole responsibility back on the administration, although the Senator thinks the administration has done wrong and will continue to do wrong, rather than to put any limitation on it by the Congress?

Mr. WHERRY. I think the administration has done wrong and will continue to do wrong until Congress asserts itself as to whether it desires to authorize roll-backs under the guise of subsidies. That is where the wrong is, and it must be corrected.

Mr. BARKLEY. What the amendment of the Senator from Ohio would do is to make at least an effort to have Congress assert itself.

Mr. WHERRY. What the amendment of the Senator would do would be to call upon Congress to authorize illegal acts already done, and I will not be a party to an illegal transaction.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. TAFT. The amendment would not do anything of the kind. We face a condition, not a theory. We face a condition in which today the President, regardless of what the law may be, has absolutely complete power to spend billions of dollars in roll-backs and subsidies and to continue every roll-back subsidy. The Senator's position simply is, "All right; he has that actual power. I question his authority. I am going to make a political issue out of it, but I will not attempt in any way to limit, I will not attempt in any way to hold down the amount of money which may be spent. Go ahead. I would prefer to have him spend two or three billion dollars of the people's money rather than to assume a little responsibility for authorizing a limited amount of the subsidy program which we can not in any way prevent."

Mr. WHERRY. Mr. President, in reply to the Senator's remarks in defense of his program, I should like to ask the Senator if it is not true that he provided in the appropriation funds for payment of commitments illegally made under section 2, subsection (e), interpreted by the Attorney General as legal, when in reality there was not the authority, and the Senator said so on the floor of the Senate.

Mr. TAFT. That is my opinion.

Mr. WHERRY. Now the Senator is asking me to authorize an illegal act. I will not do it; no, sir. That is the answer. There is no politics about it, for here are two Republicans in debate about it, so there is no politics about it. I should like to offer any constructive solution that can be offered. I should like to see the Congress determine what policy there should be. I brought all that out on June 15. On that day I said, "Let us settle this question. If the administration is going to pay a roll-back under a subsidy, let us settle it once and for all." We will not settle it by the adoption of this amendment.

Mr. TAFT. We attempted to settle it. I joined with the Senator. I voted to abolish roll-back subsidies, but the condition of the law is such that we cannot do it. I have been shown that we cannot do it. If the Senator has any more constructive solution than is offered in section 5, I should like to know the solution.

Mr. WHERRY. When I began my remarks I said that I appreciated the Senator's judgment. I have supported most of the legislation which he has sponsored, but on this question we do not agree. Merely because this solution is offered and I disagree with it does not mean that there is not another solution. I think we ought to stay here and not hurry this thing through. It is the most important thing confronting the Senate. We should not adjourn until it is settled properly if it takes all summer. There are other solutions besides the one suggested. Because I do not agree with it does not mean that I would not be constructive in helping to solve the problem in some other way. That does not lessen the responsibility of the administration, either.

In view of the remarks of the senior Senator from Georgia with reference to Mr. Ginsburg continually writing directives which override legislative authority, I think there ought to be some determination of that question. As I have already stated, I will not be a party to such procedure. I dislike to go back home with the confusion which exists here. I should like to go back home and tell the cattle and hog raisers of Nebraska that we have solved this important question. If we continue this program, we shall not solve anything. We shall have only a state of continued confusion.

I mentioned a retailer in Washington. Let me read from the statement of a retailer in Scottsbluff, Nebr. This firm has been in business for 24 years. It is suspending business. That is the picture of thousands and thousands of retail merchants and small butchers throughout the country just because of the confusion and the policy of the administration with regard to meat and food. This is what the advertisement says:

These 23 years of serving people of this community have been most pleasant and we hope to be back to serve you if conditions change, merchandise becomes available, quotas and rationing are discontinued. But continually being out, limiting quantities, and going through all the red tape that is necessary to do business has caused us to reach this decision, and on Monday morning we will open at 7 a. m. as usual with the



intention of closing out our entire stock of merchandise as quickly as possible, allowing large purchases on many items that for the past few months we have had to limit the purchases. Exceptional values will be offered this week to hasten clearance of this stock.

I ask unanimous consent that the entire advertisement be printed in the *Record* at this point as a part of my remarks.

There being no objection, the advertisement was ordered to be printed in the *Record*, as follows:

**BASKETERIA—"QUALITY FOODS FOR LESS"**

As we near our twenty-fourth anniversary we wish to announce that we are suspending business for either duration of war or until the many rules, regulations, and laws governing business operations are changed.

Stock up now on many items not rationed but are rumored will be when you use your new ration book.

Matches, the long stick, best quality, Blue Diamond. Soap, fast becoming scarce and some kinds not available now. Breakfast foods now on quota, and what will be next? Flour, Gooches' Best, Omar Wonder, Mother's Best, 48-pound bag, \$1.98. Spices; they come from all parts of the world, and many are out now. Macaroni products can be served to save meat.

Canned vegetables and fruits require points—are priced to sell quickly.

Canned milks, now one point for tall can; dozen cans, \$1.05.

Catsup, regular 14-ounce bottle, 10 cents.

These 23 years of serving people of this community have been most pleasant, and we hope to be back to serve you if conditions change, merchandise becomes available, quotas and rationing are discontinued. But continually "being out," limiting quantities, and going through all the red tape that is necessary to do business has caused us to reach this decision, and Monday morning we will open at 7 a. m., as usual, with the intention of closing out our entire stock of merchandise as quickly as possible, allowing large purchases on many items that for the past few months we have had to limit purchases. Exceptional values will be offered this week to hasten clearance of this stock.

L. M. BRYAN.

**BASKETERIA CLOSING—RED TAPE, CONFUSION ARE GIVEN AS CAUSE**

The Basketeria Grocery & Market, prominent in Scottsbluff since its founding in 1919 by the late J. A. Bryan, is suspending operation "for either the duration of the war or until the many rules, regulations, and laws governing business operations are changed." It was one of the city's largest food markets.

An advertisement by the present manager, L. M. Bryan, a son of the founder, in today's *Star-Herald* calls attention to the fact that the store will open Monday at 7 a. m. as usual, with the intention of closing out the entire stock as soon as possible.

One of the factors in the decision, the announcement says, is the shortage of merchandise.

Privately, Bryan says: "I can't count stamps and read Office of Price Administration bulletins and keep track of the stock at the same time. The shortage of experienced help has been another headache."

Mr. WHERRY. Mr. President, I wish to conclude with the reading of a statement from a real cattleman, a man who knows what he is talking about. This is the statement of a man who knows the cattle situation:

Now with reference to the livestock and meat situation as I see it, at the present

moment conditions are becoming more critical every week.

The ACTING PRESIDENT pro tempore. The time of the Senator from Nebraska on the amendment has expired.

Mr. WHERRY. I shall take 15 minutes on the bill.

Continuing with the statement:

Our sales here at the Webb Livestock Commission Co. have been pretty much of a joke inasmuch as our regular feeder buyers from Iowa, Illinois, and eastern Nebraska are just sitting back with their hands folded, doing nothing, and that is not all, they do not intend to do anything until they can see daylight out from under the existing conditions.

The feeder buyers are the men who buy the cattle and take them over into Iowa and feed them, and give us the finished beef. That is where the trouble is. Feeder cattle are not being sold. There is not enough of a spread. Mr. Hutson will not permit a sufficient spread, and cattle are not going to the feed lot.

Continuing with the statement:

Our local butchers and small independent packers over the country are nonexistent any more. We used to have their business and their competition on our markets; now that is eliminated.

In my opinion there is no scarcity of livestock anywhere. It is a case of fumbling rules and regulations to such an extent that people sooner or later will be forced to revolt against such ball-and-chain methods. I believe that if the American public had been put on their honor in the handling of foodstuffs and other commodities that things would have worked out much better than they have under the present set-up. If it was at all workable I am sure we would all be for it, but I also realize, like you do, that it is absolutely not workable and that we are defeating our own purpose here on the home front.

What can be done is very hard to figure out as we are so deep in the muddle now it is not an easy matter, nor will it be an easy matter, to straighten out. The situation as I see it now is becoming intolerable. It is going to take some clear thinking and quick action on the part of our Government to avoid a serious situation in the meat and livestock industries of our Nation.

According to the Texas and Southwestern cattle grazers, we will have the amazing total of 82,500,000 head of cattle by January 1, 1944, which would mean a surplus of 15,400,000 head. If we slaughtered one-half of this surplus it would mean enough meat to feed 200,000,000 people.

Think of it! Fifteen million four hundred thousand head of cattle could be slaughtered, to feed 200,000,000 people; and yet one cannot go to a butcher shop in Washington and get a pound of meat.

I cannot see any help from the Government's subsidy plan whatever. The most important solution to the problem at the present time is to get immediate relief from all the present Office of Price Administration restrictions; encourage feeders to put hogs and cattle in their feed lots—

This is the important point—

with the assurance that they will receive a fair price and a reasonable profit for their efforts.

The letter is signed by James Webb, president of the Webb Commission Co. of Grand Island, Nebr., one of our smart stockmen, a man who feeds and sells thousands of head of cattle a year, and

who knows the cattle business as well as all segments of the industry.

I did not mean to get into the question of authority or authorization. I discussed that previously, on the floor of the Senate. Once again I wish to pay my respects to the senior Senator from Ohio and express my esteem for him. Let me say in conclusion that even though we should pass the joint resolution with the Taft amendment, we would not settle the question of production of meat and food. There must be something more than that. The cattle must be taken from the plains to the feed lots, and then brought to slaughter, before the meat can be sold over the counter. If there is a surplus, the only solution is to lift meat quotas, take off the rationing, and allow the beef cattle to be fed. Let us get the meat to the retailer and on to the consumer. If we do, we can save a reduction in price, and it will be more advantageous than any roll-back legislation we could enact.

Mr. REED. Mr. President, I wish to join in the general acclaim accorded the senior Senator from Ohio for the statesmanship which he showed in the handling of this particular question.

I have served in this body with the Senator from Ohio for nearly 5 years, and I have watched him grow in stature during that time. I think the Republican Party is wasting a great deal of time trying to find a candidate, looking at Willkie, Governor Dewey, and Governor Bricker, when there are two men in this body, either of whom would make a better candidate than any of the men I have just named. The two men to whom I refer are so nearly balanced in my esteem that on Mondays, Wednesdays, and Fridays I think the Senator from Michigan [Mr. VANDENBERG] would be the best candidate of the Republican Party for President, and on Tuesdays, Thursdays, and Saturdays I lean toward the Senator from Ohio. I believe this is Tuesday; therefore on this day I favor the Senator from Ohio. [Laughter.]

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. REED. I yield.

Mr. BARKLEY. Whom does the Senator favor on Sunday? [Laughter.]

Mr. REED. No Democrat, I assure the majority leader.

Mr. BARKLEY. I am satisfied of that—or on any other day. [Laughter.]

Mr. REED. Seriously, Mr. President, I think the Senator from Ohio is entitled to much credit. I ask him to give me his attention at this time, because I wish to question some of his conclusions. I do not wish to misstate the position of the Senator from Ohio. As I understand his position, it is that, having an Attorney General from whom the White House can obtain any kind of an opinion it desires on any subject, no matter how far removed from the rule of reasonableness such an opinion may be, and having followed such an opinion, the Senator from Ohio now thinks that the better way to go about correcting this illegal procedure—and I agree with the Senator from Ohio as to its illegality—is to enact a measure which, while not undertaking to legalize



past acts, would, at least for the next 6 months, make such acts legal. He hopes that in its handling of these questions, if we pass the pending bill the administration will observe the intent of the Congress. Because I disagree with the Senator from Ohio in that premise I desire for a moment to examine seriously the incidents which led up to this situation.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. REED. I yield.

Mr. TAFT. I should like to point out that in my opinion the one effective control which we can exercise is by means of a money limitation. That is the reason I have laid emphasis upon that feature. I agree that, no matter what words we may write into the law, they may be stretched into something different from what was intended by Congress. There may be some remedies to which we could resort. We might impeach the President, we might impeach the Food Administrator, or we might find some way to get the matter into court. However, I do not think we can get it into court. I can find no way in which to do so. So the remedy which I propose is proposed only after considering other things which it seems to me are not feasible at the present time.

Mr. REED. Mr. President, if the junior Senator from Nebraska was not listening to the Senator from Ohio I can only say that he should have been. He missed something.

Allow me to go back to the first thing which started the chain of events leading up to the situation as it is today.

I hold in my hand a photostatic copy of the message of the President of the United States to the Congress on last Labor Day. It is the same copy to which I have referred many times. That was the day on which the President declared a dictatorship in this country unless within 30 days—stating a definite expiration date—unless by October 1 the Congress had taken certain action.

The President had some theories with regard to food prices. Let me read from page 6 of the message wherein he states the formula which he wants offered for the consideration of the Congress. On page 6 appears the following language, which is repeated from page 5:

I ask the Congress to pass legislation under which the President would be specifically authorized to stabilize the cost of living, including the prices of all farm commodities.

I now invite the particular attention of my colleagues of the Senate to the next phrase:

The purpose should be to hold farm prices at parity, or at levels of a recent date, whichever is higher.

That is the President's own suggestion.

A bill was passed by the Congress known as the Price Control Act of October 2, 1942. It contains the following language and direction:

No maximum price shall be established or maintained for any agricultural commodity under authority of this act or otherwise below a price which will reflect to producers of agricultural commodities the higher of the following prices \* \* \*

1. The parity price for such commodity
2. The highest price received by such producers for such commodity between January 1, 1942, and September 15, 1942.

Congress, following the suggestion of the President, was there enacting the President's suggestion into law and defining the rules which should govern prices of farm commodities.

The very first order issued by the President violated the plain mandate of that law. He and his advisers did not observe it sufficiently long to allow more than one sun to go down upon a bill which reflected his own suggestion, a suggestion which Congress wrote into the law. This is not a misstatement. It has been made before. It involves no serious charge.

The senior Senator from Georgia, in response to a question from me a few moments ago, replied that whenever a law passed by this body—the only body constitutionally empowered to pass laws—comes into conflict with a theory held by the President or his advisers, the theory takes precedence over the law. And that is true. The Senator from Georgia also suggested, and accurately, that so long as Dave Ginsburg or his tribe are permitted to write laws and opinions to be read, or at least inserted, in the CONGRESSIONAL RECORD as being read upon the floor, there is probably no remedy for this situation.

Mr. President, I wish to go a little further. In addition to application of the provisions of the law, which prescribes certain limitations below which he could not legally go, in my opinion the Secretary of Agriculture proceeded to offer inducements to increase production by offering support prices. One of those support prices offered by the Secretary of Agriculture was on butter. On November 27, 1942, the Secretary of Agriculture announced a support price for butter of 92-score at Chicago of 46 cents a pound. That is approximately the price which butter was bringing when the O. P. A. crowd of snake doctors started to roll back the price.

I hold in my hand a market page from a newspaper dealing with market prices of butter in Chicago. At Chicago on July 1 of this year No. 2, 92-score butter, which the Secretary of Agriculture had promised to support at 46 cents, was selling at 41.5 cents a pound. The Senator from Ohio, with childlike faith and implicit confidence in the integrity of his fellow man, which he assumes to be equal to his own integrity, assumes that he can get these boys—I almost said "birds"—to obey the law by writing a new definition. I do not believe he is so enthusiastic about that as he is about trying to limit the amount of money. If he can limit the amount of money they may not want to continue in good faith, but if they run out of money he hopes that they will then be good.

Mr. President, much to my regret I sadly state that I have no such faith in the bunch of misfits and incompetents who are running the Office of Food Administration at this time. I have lived a long life. I have never seen a more

deplorable, inexcusable, unjustifiable exhibition of incompetency than that of those who at this time are engaged in the administration of the food regulations. I am sorry that I do not share the faith of the Senator from Ohio that if we merely place a limit upon the amount of money they can spend, they will be good. I believe, Mr. President, that when they come to the end of the money they will find some other way in which to do this, because they have no intention of making their Administration conform to the wishes of this body.

That brings me to my conclusion, Mr. President. Along with the necessity for sufficient food production and common-sense administration, there is another important element entering into the equation at this time, and that is a continuation of constitutional government under constitutional limitations in this country. It has been threatened; it is threatened now. More for that reason than any other I shall vote against, first, the amendment of the Senator from Ohio, though I am indifferent as to whether it goes into the joint resolution or not, and then, holding as I hold, believing as I believe, that the continuation of our form of government is seriously threatened, I shall vote against the joint resolution. I agree with the Senator from Nebraska when he said there is no more important question before this body than a proper policy on this subject, and if it is necessary to stay here all summer to bring about that desirable end, I am willing to stay.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment, as amended, inserting section 5 in the joint resolution.

Mr. MURDOCK. I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Hayden	Reynolds
Barkley	Hill	Robertson
Bone	Holman	Russell
Bridges	Johnson, Colo.	Scrugham
Brooks	Kilgore	Shipstead
Buck	La Follette	Smith
Burton	Langer	Stewart
Butler	Lucas	Taft
Capper	McCarran	Thomas, Okla.
Caraway	McClellan	Thomas, Utah.
Chavez	McFarland	Tunnell
Clark, Mo.	McKellar	Tydings
Connally	Maloney	Vandenberg
Danaher	Maybank	Van Nuys
Davis	Millikin	Wagner
Downey	Moore	Wallgren
Ellender	Murdock	Walsh
Ferguson	Nye	Wheeler
George	O'Daniel	Wherry
Gerry	O'Mahoney	White
Guffey	Radcliffe	Wiley
Gurney	Reed	Willis
Hawkes	Revercomb	

The ACTING PRESIDENT pro tempore. Sixty-eight Senators having answered to their names, a quorum is present.

Mr. WAGNER. Mr. President, I ask that a letter received by me from the War Shipping Administration in reference to the legislation now pending be printed in the RECORD as a part of my remarks.



The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The letter is as follows:

WAR SHIPPING ADMINISTRATION,  
Washington, July 5, 1943.

Hon. ROBERT F. WAGNER,  
Chairman, Banking and Currency Committee, United States Senate.

DEAR SENATOR WAGNER: Section 5 of House Joint Resolution 147, which you reported on behalf of the Senate Committee on Banking and Currency on Saturday, contains certain provisions relating to subsidies. You will recall our communication on this subject dated June 28, 1943, that was inserted in the CONGRESSIONAL RECORD of June 30, 1943, page 6905. Since the question of subsidies is apparently to be the subject of further consideration, we believe it would be well again to call the attention of the Senate to the activities of the War Shipping Administration and to indicate that such activities would not in any way be affected by House Joint Resolution 147, as presently drawn.

The War Shipping Administration is indirectly subsidizing the increased cost of transportation resulting from the war. These indirect subsidies are not handled by payments to shippers or others concerned, but are effected by charging noncompensatory freight and insurance rates. These practices have been heretofore reported to Congress on many occasions. Further, the charging of noncompensatory insurance rates was specifically authorized by Congress in Public 523, Seventy-seventh Congress.

The proposed section 5 recognizes and sanctions the principle of paying increased costs of transportation resulting from war emergency, and specifically authorizes the Reconstruction Finance Corporation to continue its practice in this respect. There is no express reference in the bill to the War Shipping Administration. In our opinion none is necessary, since the War Shipping Administration's subsidy program is not affected by making of subsidy payments merely by charging noncompensatory rates. Section 5 does recognize the soundness of the principle involved by authorizing the Reconstruction Finance Corporation to engage in similar activities by direct subsidy payments and thus approves of the general practice in which War Shipping Administration is engaged.

Moreover, the only prohibition in House Joint Resolution 147 is against "payment" of subsidies or the purchase of commodities for resale at reduced prices. Since the War Shipping Administration does not engage in either of these activities, its practice of charging less than compensatory insurance or freight rates would not appear to be prohibited by the proposed legislation.

We would be pleased to have your confirmation of the foregoing.

Sincerely yours,

E. S. LAND,  
Administrator.

Mr. MURDOCK. Mr. President, my purpose in rising at this time is to ask the distinguished senior Senator from Wyoming [Mr. O'MAHONEY] a question or two concerning the amendment offered by him last evening, which was adopted. I know the purpose of the Senator from Wyoming is absolutely to preclude and prohibit any roll-back or subsidy program which will result in a reduction of price to the producer of an agricultural commodity. I was very much interested last evening in the amendment offered by the Senator from Wyoming and adopted by the Senate, but, in my opinion, it still leaves too much discretion in the Commodity Credit Cor-

poration and in the Reconstruction Finance Corporation. The amendment reads as follows:

No subsidy program shall be undertaken or continued with respect to any agricultural commodity either by the Reconstruction Finance Corporation or by the Commodity Credit Corporation, if in its opinion such program will result in any reduction in the price paid to the producers of such commodity.

What the Senator from Wyoming wants to do, and I think what a majority of the Senate wants to do, is absolutely to preclude and prohibit any program being adopted by either one of these governmental agencies which will result in a reduction in price to the producer of such a commodity. If that is the purpose of the Senator from Wyoming, as I am sure it is, then I ask him why we should not strike out the language "if in its opinion such program" and insert the simple word "which," so that the amendment would then read:

No subsidy program shall be undertaken or continued with respect to any agricultural commodity, either by the Reconstruction Finance Corporation or by the Commodity Credit Corporation which will result in any reduction in the price to the producers of such commodity.

I should be glad to have the Senator comment on my observation.

Mr. O'MAHONEY. Mr. President, I am very happy to reply to the Senator's question to the best of my ability. My reason for not using the absolutely mandatory language which the Senator from Utah suggests, and which I think, from one point of view, is wholly desirable, is that I do not see how it could be enforced. When a subsidy program is undertaken, it is undertaken in accordance with the judgment of those who have drafted it. None of these persons are gifted with foresight sufficient to enable them to know what the definite result will be.

Mr. MURDOCK. I think that is the unanimous opinion.

Mr. O'MAHONEY. That has already been demonstrated by what has happened with respect to the roll-back program, which aroused so much criticism.

Former Senator Prentiss Brown, the present head of the O. P. A., told me personally over the telephone, before the program was announced, that he did not believe it would result in any decrease in the price to the producer. In his absence, the Assistant Administrator wrote me a letter to the same effect.

Their judgment was wrong. I do not think we can adopt statutory language which will give them the gift of foresight, but I feel that the language which has been adopted comes as close as is possible to bringing about an agreement between the Executive and the legislative authorities, written into the law, that the subsidy programs will be administered in such fashion as not to destroy the producing capacity of the farmers and ranchers of the country. That is my opinion.

Mr. MURDOCK. I thank the Senator for his comments, but I again point out to him that the best we can do, and even the least we can do, is to write into the law the most mandatory language we

can write in order to carry out the purpose of the Congress. Even so, when we put into the joint resolution the most mandatory language of which we are capable, then we are still confronted with the defects of judgment on the part of the administrators. So, when the Senator says to me that definite, mandatory language written into the law would not be enforceable, it seems to me that when we not only write into the joint resolution itself language which permits too much discretion on the part of the administrators, and then couple that with defective judgment in administration, we have nothing. Their answer is simply that "In our opinion it would not do," and that brings them within the language of the joint resolution, whereas if we say, "You shall not adopt a program which will result ultimately in a reduction of the price of a commodity to the producer," we certainly then have done the least a legislative body should do to perform its proper function.

Mr. O'MAHONEY. Will the Senator yield?

Mr. MURDOCK. I am glad to yield.

Mr. O'MAHONEY. Nothing we can do by way of amendment to the joint resolution can change, improve, or cause any retrogression, so to speak, of the judgment of the administrators.

I wish to go a step further. While the joint resolution has been under consideration in the Senate and before the Banking and Currency Committee I have had numerous conferences with the officials who will be charged with the responsibility of executing it. I think I am within the proprieties when I say that within the hour I have talked with Marvin Jones, who is the new War Food Administrator. Members of the Senate know Marvin Jones, and are aware that, as chairman of the House Committee on Agriculture, he was a powerful and effective defender of agricultural programs. I know that he is now devoting his energies and his abilities to this specific problem. He has assured me that it is his intention to use every ability he has to work out the problem. He said "Give me a little cooperation, help me in this program, and I think we can work it out."

Mr. President, I am willing to do that. I feel, of course, that the subsidy program is an incorrect and unsound economic approach to the problem. I stated before the Senate Committee on Banking and Currency that, in my judgment, we should have done, and we should do now, what many of us urged in January of 1942, when the Price Control Act was first under consideration in this body. We failed at that time to take into consideration all the factors which go into the cost of production. As a result, we have permitted such widespread dislocation that producers of agricultural commodities even at this moment do not know where they are to obtain the labor necessary to carry on their work.

Those of us who come from western States, as do the Senator from Utah [Mr. MURDOCK] and the Senator from Colorado [Mr. JOHNSON], who is sitting near me, find our people under a particularly heavy handicap, because in those mountain States the percentage of men who



are rejected in the draft for physical reasons is much lower than it is throughout the country as a whole. In Wyoming, for example, only about 9 percent of those who are drafted for military duty are returned as unfit, whereas the national average is about 37 percent.

The meaning of that, if I may pursue the matter for a moment—

Mr. MURDOCK. My time is limited.

Mr. O'MAHONEY. Let me finish the sentence. The meaning of that is that out of every thousand men who are called for military duty in Wyoming only 90 are returned to the farms and ranches, whereas out of a thousand men drawn from the Nation as a whole 370 are returned. I feel that the proposal now before the Senate does not go to the heart of the problem. I am simply trying to make the best of what seems to me, generally speaking, to be a bad matter. But I shall be perfectly willing to have the Senate adopt the language the Senator from Utah suggests, if from a parliamentary point of view it is possible to do so.

Mr. MURDOCK. That is exactly my reason in offering it. I think it is consistent with the latter part of the Senator's amendment, and if the Senator from Wyoming has no objection, I move that in the amendment of the Senator from Wyoming, to the committee amendment, in subsection (g) of section 5, beginning in line 4, after the comma, the words "if in its opinion such program" be stricken out, and the word "which" inserted in lieu thereof.

The ACTING PRESIDENT pro tempore. The Chair advises the Senator from Utah that the parliamentary situation is such that it will first be necessary for the Senator to move to reconsider the vote by which the O'Mahoney amendment to the committee amendment was agreed to, after which the Senator may offer his amendment to the O'Mahoney amendment.

Mr. MURDOCK. Mr. President, I move to reconsider the vote taken on yesterday by which the so-called O'Mahoney amendment to the committee amendment was agreed to.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Utah.

The motion was agreed to.

Mr. MURDOCK. I now ask unanimous consent to amend the O'Mahoney amendment, in line 4 thereof, after the comma, to strike out the words "if in its opinion such program", and to insert the word "which".

Mr. O'MAHONEY. Mr. President, I accept the amendment.

Mr. MURDOCK. I thank the Senator.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Utah [Mr. MURDOCK] to the amendment of the Senator from Wyoming [Mr. O'MAHONEY].

The amendment to the amendment was agreed to.

The amendment, as amended, was agreed to.

Mr. MURDOCK. Mr. President, I am sure that what the Senator from Wyo-

ming wants to accomplish is exactly what I wish to accomplish, and by the insertion of the language which has been adopted we make the provision mandatory, and we shall be confronted then, if it shall so happen, only by defective administration.

#### APPOINTMENT OF ADDITIONAL MIDSHIPMEN AT THE UNITED STATES NAVAL ACADEMY

Mr. WALSH. Mr. President, the quota of midshipmen in the Naval Academy is short by 75 or 100. The Navy Department is desirous of having authority given to the academic board to appoint alternates. Therefore, I ask unanimous consent to introduce a bill, and that the rule with respect to having the bill referred to a committee may be waived.

The ACTING PRESIDENT pro tempore. Is there objection to the unanimous-consent request made by the Senator from Massac'ussets [Mr. WALSH]? The Chair hears none. The bill will be received and read.

The bill (S. 1318) authorizing the appointment of additional midshipmen at the United States Naval Academy, was read the first time by its title, and the second time at length, as follows:

*Be it enacted, etc.,* That, in order to bring the regiment of midshipmen to full strength, the Secretary of the Navy may, in his discretion, until September 1, 1943, appoint as midshipmen qualified alternates and candidates recommended by the academic board: *Provided*, That any appointment made under this provision of law shall be an additional appointment and shall not constitute an appointment otherwise authorized by law.

Mr. WALSH. Mr. President, a law similar to that proposed in the bill, is applicable to the Army at the present time. The bill proposes to extend the authority contained in it until September 1 of this year.

I now ask unanimous consent for present consideration of the bill.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to be engrossed for a third reading, read the third time, and passed.

#### CONTINUATION OF COMMODITY CREDIT CORPORATION

The Senate resumed consideration of the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

Mr. McFARLAND. Mr. President, I ask unanimous consent to submit a report from the Special Committee to Investigate Senatorial Campaign Expenditures in the Year 1942.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Arizona?

Mr. TAFT. May I ask how long the Senator thinks the matter proposed by him would interrupt consideration of the joint resolution dealing with the Commodity Credit Corporation?

Mr. McFARLAND. I expect to use about 2 minutes' time to discuss the report.

Mr. TAFT. I shall have to object, since we are acting under limitation of debate.

The ACTING PRESIDENT pro tempore. Objection is heard.

The question is on agreeing to the committee amendment inserting section 5, as amended.

Mr. TAFT. I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Hayden	Reynolds
Barkley	Hill	Robertson
Bone	Holman	Russell
Bridges	Johnson, Colo.	Scrugham
Brooks	Kilgore	Shipstead
Buck	La Follette	Smith
Burton	Langer	Stewart
Butler	Lucas	Taft
Capper	McCarran	Thomas, Okla.
Caraway	McClellan	Thomas, Utah
Chavez	McFarland	Tunnell
Clark, Mo.	McKellar	Tydings
Connally	Maloney	Vandenberg
Danaher	Maybank	Van Nuys
Davis	Millikin	Wagner
Downey	Moore	Wallgren
Ellender	Murdock	Walsh
Ferguson	Nye	Wheeler
George	O'Daniel	Wherry
Gerry	O'Mahoney	White
Guffey	Radcliffe	Wiley
Gurney	Reed	Willis
Hawkes	Revercomb	

The ACTING PRESIDENT pro tempore. Sixty-eight Senators having answered to their names, a quorum is present.

The question is on agreeing to the amendment of the committee, as amended.

Mr. AIKEN. I ask for the yeas and nays.

The yeas and nays were ordered; the legislative clerk proceeded to call the roll, and Mr. AIKEN voted in the negative when his name was called.

Mr. McCARRAN. Mr. President, will the Chair please state the question?

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment, as amended, inserting section 5 in the joint resolution.

Mr. BONE. Mr. President, before the vote is taken, may I inquire of the Senator from Ohio if a "yea" vote will be a vote for House Joint Resolution 147 as it is now on our desks?

Mr. TAFT. Mr. President, a "yea" vote will be to include in the joint resolution section 5, which is the committee amendment, as it has been amended.

Mr. BONE. That is the new language in italics, is it?

Mr. TAFT. That is correct.

The legislative clerk resumed the calling of the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. Not knowing how he would vote, I withhold my vote.

Mr. BARKLEY. Mr. President, I was going to announce that if my colleague the junior Senator from Kentucky were present he would vote "yea."



Mr. DAVIS. As I would vote "nay," I withhold my vote.

Mr. ELLENDER (when his name was called). On this vote I have a pair with the junior Senator from Virginia [Mr. BYRD]. If present, the Senator from Virginia would vote "nay." If I were at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. WAGNER (after having voted in the affirmative). I have a general pair with the Senator from Kansas [Mr. REED]. I transfer that pair to the Senator from Rhode Island [Mr. GREEN]. I am not advised how either Senator would vote if present. Having transferred my pair, I permit my vote to stand.

I wish to announce that my colleague the junior Senator from New York [Mr. MEAD] is necessarily absent. If present, he would vote "yea."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from New Jersey [Mr. BARBOUR], if present, would vote "yea."

The Senator from Vermont [Mr. AUSTIN], who, if present, would vote "nay," is paired on this question with the Senator from Massachusetts [Mr. LODGE], who would vote "yea."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 32, nays 31, as follows:

## YEAS—32

Barkley	Caraway	Guffey
Bone	Chavez	Hayden
Buck	Danaher	Hill
Burton	Downey	Johnson, Colo.

Kilgore	O'Mahoney	Tunnell
La Follette	Radcliffe	Vandenberg
Lucas	Revercomb	Wagner
McFarland	Russell	Wallgren
Maloney	Scrugham	Walsh
Murdock	Taft	White
Nye	Thomas, Utah	

## NAYS—31

Aiken	Hawkes	Smith
Bridges	Holman	Stewart
Brooks	Langer	Thomas, Okla.
Butler	McCarran	Tydings
Capper	McClellan	Van Nuys
Clark, Mo.	McKellar	Wheeler
Connally	Maybank	Wherry
Ferguson	Millikin	Wiley
George	O'Daniel	Willis
Gerry	Reynolds	
Gurney	Robertson	

## NOT VOTING—33

Andrews	Clark, Idaho	Mead
Austin	Davis	Moore
Bailey	Eastland	Murray
Ball	Ellender	Overton
Bankhead	Gillette	Pepper
Barbour	Glass	Reed
Bilbo	Green	Shipstead
Brewster	Hatch	Thomas, Idaho
Bushfield	Johnson, Calif.	Tobey
Byrd	Lodge	Truman
Chandler	McNary	Wilson

So the committee amendment, as amended, was agreed to, as follows:

SEC. 5. Notwithstanding the provisions of section 2 (e) of the Emergency Price Control Act of 1942, or other provisions of law, neither the Commodity Credit Corporation, the Reconstruction Finance Corporation, its subsidiaries, nor any other Government-owned corporation, shall pay any subsidies or purchase any commodities for the purpose of selling them at a loss, or borrow any money to be used for such purpose, nor shall any appropriation heretofore or hereafter made by the Congress be used for any such purpose except as provided in this section or hereafter expressly authorized by the Congress.

(a) The Reconstruction Finance Corporation or the Commodity Credit Corporation is authorized to borrow money and pay to shippers of commodities or others the increased costs of transportation resulting from the war emergency.

(b) The Reconstruction Finance Corporation is authorized to borrow money and to pay subsidies relating to, or purchase for the purpose of selling at a loss, strategic and critical materials necessary to the manufacture of equipment and munitions of war for the United States Government or any of the United Nations, and to subsidize the high-cost production of minerals to increase the production thereof: *Provided*, That in any case in which a commodity is domestically produced the powers granted to the Reconstruction Finance Corporation by this subsection shall be exercised with respect to importations of such commodity only to the extent that, in the judgment of the Reconstruction Finance Corporation, the domestic production of the commodity is not sufficient to satisfy the demand therefor. Nothing in this section shall be construed to modify, suspend, amend, or supersede any provision of the Tariff Act of 1930, as amended.

(c) The Reconstruction Finance Corporation, when requested by the War Food Administrator, is authorized to borrow not to exceed \$350,000,000, and to use or allocate any part of said sum prior to January 1, 1944, to pay subsidies or pay losses resulting from the purchase of commodities for the purpose of selling them at a loss, in order to obtain the maximum necessary production of such commodities or to prevent price increases thereof. All commitments heretofore made for such purposes shall be fulfilled out of the sum authorized herein, and no further commitments shall be entered into hereafter with any producers, processors, manu-

facturers, or distributors which cannot be fulfilled out of said sum.

(d) The Commodity Credit Corporation, when requested by the War Food Administrator, is authorized to borrow not to exceed \$175,000,000, and to use or allocate any part of said sum prior to January 1, 1944, to pay subsidies or pay losses resulting from the purchase of commodities for the purpose of selling them at a loss, in order to obtain the maximum necessary production of such commodities or to prevent price increases thereof. All commitments heretofore made for such purposes not fulfilled prior to July 1, 1943, shall be fulfilled out of the sum authorized herein, and no further commitments shall be entered into hereafter with any producers, processors, manufacturers, or distributors which cannot be fulfilled out of said sum: *Provided*, That commitments in a total additional sum of \$175,000,000 may be entered into prior to January 1, 1944, covering 1944 crops to continue its 1943 programs.

(e) The President may transfer any part of the sum authorized under paragraph (c) hereof for use under paragraph (d), or any part of the sum authorized under paragraph (d) for use under paragraph (c). The Reconstruction Finance Corporation may exercise any of the powers conferred herein through any of its subsidiary corporations.

(f) Nothing herein shall be construed to prevent the making of parity payments, soil-conservation payments, or benefits to sugar growers, or the sale of feed wheat, as authorized by existing law.

(g) No subsidy program shall be undertaken or continued with respect to any agricultural commodity either by the Reconstruction Finance Corporation, or by the Commodity Credit Corporation, which will result in any reduction in the price paid to the producers of such commodity, and the Reconstruction Finance Corporation and the Commodity Credit Corporation shall each issue suitable regulations to prevent any such reduction in the price paid to the producers of such commodity as a result of any subsidy program.

The VICE PRESIDENT. The clerk will state the next committee amendment.

The LEGISLATIVE CLERK. On page 5, after line 13, it is proposed to insert:

SEC. 6. (a) Section 2 of the Emergency Price Control Act of 1942, as amended, is hereby amended by adding at the end thereof the following new subsection:

"(j) Nothing in this act shall be construed (1) as authorizing the elimination of trade and brand names; (2) as authorizing the Administrator to require the grade labeling of any commodity; or (3) as authorizing the Administrator to standardize any commodity, unless the Administrator shall determine, with respect to such standardization, that no practicable alternative exists for securing effective price control with respect to such commodity; but no order of the Administrator shall be deemed to require standardization because it fixes maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, if such specifications or standards were, prior to such order, in substantial use in the trade or industry affected, or have been established by another Government agency."

Mr. TAFT. Mr. President, I offer an amendment to the committee amendment.

The VICE PRESIDENT. The amendment offered by the Senator from Ohio will be stated.

The LEGISLATIVE CLERK. On page 5, in the committee amendment, it is proposed to strike out lines 17 to 25, inclusive, and on page 6, lines 1 to 6, inclusive, and insert the following:



(j) Nothing in this act shall be construed (1) as authorizing the elimination or any restriction of the use of trade and brand names; (2) as authorizing the Administrator to require the grade labeling of any commodity; (3) as authorizing the Administrator to standardize any commodity, unless the Administrator shall determine, with respect to such standardization, that no practicable alternative exists for securing effective price control with respect to such commodity; or (4) as authorizing any order of the Administrator fixing maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use in the trade or industry affected, or have previously been promulgated and their use lawfully required by another Government agency.

Mr. TAFT. Mr. President, as the Senate will remember, in one of the appropriation bills we included a very tight provision against grade labeling and the elimination of trade names. The amendment was inserted on the floor of the House. The language used was not very apt for the purpose.

Price Administrator Brown came before the committee and urged that it would seriously hamper his price regulations in a number of trades, regulations for which had already been issued, to many of which there was no objection. He submitted another form of amendment, carrying out the same purpose, but making it perfectly clear that it would not interfere with those regulations, which are proper.

That amendment was submitted to those in the House who drafted the original amendment. It was submitted to the representatives of the canners, who had strenuously objected to the effort to eliminate grade names. The amendment as I now offer it is only slightly different from the committee amendment. It meets with the agreement of the Price Administrator, and of all the trades which have been directly interested. Many Senators may have received protests from the lumber industry and others which felt that in some way the adoption of the amendment in the appropriation bill would interfere with their usual standards. This meets their objections in every way.

Mr. BONE. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Washington.

Mr. BONE. I am sure the Senator knows that the lumber business relies on grade labeling. If a person in Kansas or Nebraska buys shingles, he finds them graded. By that means he knows exactly what kind of shingles he is buying. He knows whether they will last for 10 years or 20 years. If we wipe out grade labeling in the lumber business we completely demoralize the business. So when I look at this language I confess that I am a little uncertain, because the language seems to be in reverse. It provides:

Nothing in this act shall be construed \* \* \* as authorizing the Administrator to require the grade labeling of any commodity.

Mr. TAFT. If I may read the amendment which covers the lumber situation,

it is slightly different from the committee amendment:

Nothing in this act shall be construed as authorizing any order of the Administrator fixing maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use in the trade or industry affected, or have previously been promulgated and their use lawfully required by another Government agency.

The lumber industry wished to be perfectly certain that in prohibiting standardization, specifications and standards which are in general use in the industry would not be prohibited. The amendment as offered meets that requirement.

Mr. BONE. The system in the lumber industry is a perfectly wholesome one. If it were now destroyed, the whole industry would be upset. It is impossible on short notice to tell just what such an amendment would do. I do not know how it would be possible to distinguish the various grades without employing the standards which are now in use.

Mr. TAFT. What is true of the lumber industry is true of many other industries. I myself do not believe the amendment, if adopted, would really in any way interfere with that situation. I do not believe it would in any way interfere with the Price Administrator fixing prices based on existing standards. All we have attempted to provide is that he cannot on his own authority say, "You may make grade A and grade B but you shall not make grade C. You may make grade D and grade E, but you shall not make grade F." I believe that under the amendment he could put a price on grades A, B, C, D, E, and F just as well as he could if the amendment had not been adopted. But since the question has arisen, and it seems possible to straighten it out in the pending joint resolution, I think we have suggested a plan upon which there is general agreement.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. VANDENBERG. The language in phrase 3 authorizes the Administrator to standardize any commodity if he finds that no practicable alternative exists for securing effective price control with respect to such commodity.

The language in clause 1 specifically prohibits the elimination or restriction of the use of trade and brand names. There is no possibility, is there, that the broad authority in clause 3 "to standardize any commodity" under the circumstances described could extend back to clause 1?

Mr. TAFT. No; absolutely not. The exception that he may standardize commodities is an exception only to the lack of authority to standardize, the prohibition against standardizing. There is no exception to the prohibition against eliminating and restricting the use of trade and brand names, nor is there any exception to the prohibition of requiring the grade labeling of any commodity.

Mr. VANDENBERG. Trade and brand names are definitely outside his jurisdiction?

Mr. TAFT. They are.

Mr. WHERRY. Mr. President, it has been suggested to me that line 6, giving the Administrator the authority to determine with respect to such standards, might give too broad powers in determining the future standardization of commodities.

Mr. TAFT. The word "standardization" which went into the amendment was not thought of or debated particularly. I do not believe there is any great opposition to giving the Administrator the right to standardize. As a matter of fact, if the Administrator does not have the right, the War Production Board has it today as to practically every commodity. So there is no great issue on the question of standardization alone. I can only say that the representatives of the industry with whom I have talked had no objection to making this exception to standardization where it was felt it was absolutely essential to an effective system of fixing prices.

Mr. GEORGE. Mr. President, I was about to ask how the language in the joint resolution would affect whatever power there would be, but I see the suggestion is offered by way of amendment to the Emergency Price Control Act itself.

Mr. TAFT. Yes. All the powers of the Price Administrator are derived from that act, so it affects only his powers.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio to the committee amendment.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The question now recurs on agreeing to the committee amendment as amended.

The amendment as amended was agreed to.

Mr. GEORGE. Now, Mr. President, the question is on agreeing to the joint resolution as amended, is it not?

The ACTING PRESIDENT pro tempore. The joint resolution is before the Senate as amended, and open to further amendment.

Mr. GEORGE. Mr. President, if any Senator has an amendment which he wishes to offer to the joint resolution, and desires to take any time on it, I should like to have him do so now. I wish merely to state my position on the joint resolution after the consideration of amendments is concluded.

The ACTING PRESIDENT pro tempore. The Senator from Georgia has the floor.

Mr. GEORGE. Mr. President, I find myself in a very awkward position with respect to the pending joint resolution. The Attorney General has held that under the Price Control Act, as amended, subsidies of all kinds are authorized, including the so-called roll-back subsidy. With that decision I am in complete disagreement. Neither according to the letter of the law nor the plain and manifest intent of the Congress was it ever assumed that anything more than sub-



sidies should be resorted to for the purpose of stimulating production.

I have said already during the course of the consideration of this joint resolution, that regardless of the grave mistakes which have been made, which are now imbedded in our economic and political structure, we of course must do the best we can from now on in handling a serious and difficult problem. However, I do not share the views which have been expressed so often upon this floor, and I shall take my time now to make my position clear.

The so-called roll-back subsidies have been applied to butter and to meat and there has been a definite statement that they would or might be applied to coffee.

Mr. President, let us consider coffee. The President has already indicated that coffee is coming into this country in such quantities that the rationing of coffee may be lifted. He is entirely right on that. The imports of coffee in the month of May were equivalent to 165,000,000 roasted pounds, whereas the consumption of coffee in this country averages about 100,000,000 pounds. The stocks of wool in this country today are greater than they have ever been at this particular season during any year in the past. The stocks of cocoa are rapidly increasing. Just off our shores there is almost sufficient sugar to sink us, and it is being brought into the country by tugboats, pushing barges. We have a greater maritime fleet than any other nation ever had at any time. Certainly we have a greater merchant marine than has any other nation. It is now obvious that there is no serious threat of the submarine on our coasts, or along the coasts of Central and South America, or along any of the coasts of the Western Hemisphere. And yet the O. P. A. is talking about subsidizing coffee, applying a roll-back to coffee—the most inexcusable and most unwise suggestion that was ever made by any Federal agency. Does anyone assume, does anyone imagine, that our ships which are going to north Africa and to numerous ports in the southwest Pacific are coming back empty, when they can make greater speed under ballast than they can without cargo or ballast? Does anyone think for a moment, does anyone imagine for a moment, that we cannot bring foodstuffs into this country to support our population which, plus a real stimulating productive subsidy or bonus, would handle the price situation?

If O. P. A. cannot now be induced to turn its main attention to production, leaving the distribution machinery and the law of supply and demand to control prices fairly well, then O. P. A. will not succeed with this subsidy, because the subsidy which it is now providing is definitely inflationary. It has not a single element hostile to or fighting against inflation in the sense of rapidly rising prices.

What happens? There has been written into this measure perhaps an unrealizable hope, but there has been written into it that the producer is to get the same price, that he is not to be touched by any roll-back of any commodity of any food crop. Therefore the farmer, the producer will get the same

price for his product. It is definitely a subsidy for the benefit of the processor, for the middleman. He is going to get all that he got out of it before—purchase money plus the subsidy. Therefore there is going to be the same amount of money put into the streams and channels of commerce.

One thing is going to happen, Mr. President. The debt of the United States is going up. The Secretary of the Treasury must sell more war bonds to pay the food bill because you are now subsidizing the consumer. The subsidization of the consumer has been tried since the days of ancient Rome, and it has resulted in nothing but destruction of the political institutions of the country trying it. This measure itself, the first dose of it, commits the country to subsidies of all descriptions and forms which may, according to estimates, run to \$700,000,000. More than that, it commits the Congress now to the continuation of a type of subsidy with respect to the production of food products.

I think the price-control bill contemplated that such subsidies might be offered, and there can be no objection to that; but some of our friends in this country think that we must slavishly and blindly follow the economic policies and practices of Great Britain, when Britain has a wholly different economy. Before the war Great Britain imported from 60 to 80 percent of her food products; in the war Great Britain is yet importing from 30 to 40 percent of her food products. She is a "tight little island," with not one-third of our population. Here within this vast domain we are undertaking to institute roll-backs, subsidies, consumers' subsidies. At a time when everyone who wants to work has a job at a good wage we propose to put off the payment of our grocery bills until next year, and have a part of them paid by the Treasury of the United States.

Mr. PRESIDENT. In initiating this program we are definitely heading toward inflation.

The constantly mounting national debt, increased by subsidies to the consumers, will ultimately shake the last ounce of faith in the integrity of the American dollar; and when that time comes, Mr. President, you will know what inflation is. When the American people lose confidence in their currency and in a great hurry begin to unload it for anything they can get before it goes down, then you will know what inflation means.

Subsidizing the coffee of the American people, subsidizing a product that is fairly flowing into this country now almost at the rate of 2 to 1 of the consumptive capacity of the American people. Subsidizing it for whom? There can be no possible excuse that such a subsidy would be paid for the benefit of our producers, for we do not produce coffee. It could only be paid to the importer, to the distributor, and it will be a long day before the dream and wish and hope of those who have written into this measure the statement that no part of the burden is to be rolled back on the producer will be realized and the producer in America obtains the full benefit. But assuming that he is to get the same price, the processor,

the packer, is also to get the same price. Certainly, therefore, the Treasury is to lose the money, the taxpayer is to lose the money. Who is going to pay the tax?

Mr. President, if we now have—and with this statement I am through—\$140,000,000,000 of national income, stripped of all duplicating items, if that figure be correct, then about \$91,000,000,000 represents the income of people with less than \$3,000 of income, and if by taxation we are going to get twelve or fourteen or sixteen billion dollars more out of the American people, we will never be able to get more than a billion and a half dollars out of corporations, another billion and a half dollars, let us say, out of excise taxes, greatly widened and greatly increased, and, therefore, it will be necessary to raise from eight to nine billion dollars of new money out of the individual taxpayer. On whom will the burden fall? If we raise it we might as well be honest about it. It will fall on the poorer class of consumers, on the people whose incomes do not exceed \$2,000 or \$2,500 or, as a maximum, \$3,000 a year.

So we have the Government proposing to increase wages by reducing living costs, and it will increase the wages of certain classes, throwing the burden over on the whole mass of the people, and the white-collar class, whose salaries and wages have not gone up, will pay a great part of the increased burden of the increased wage and of the deferred grocery bills.

Mr. President, I am so conscious that this proposal cannot work and will not work; I am so convinced that it is wrong, that it is unwise from every point of view, that I shall vote as I have already voted on the amendments thus far put into the joint resolution, that is, the amendments in substance relating to subsidies. I shall vote "no" on the final passage of the joint resolution. If the roll shall not be called, I want the RECORD to show that I vote "No" on the joint resolution as a whole. In my opinion it is better to vote "No" and let the consequences rest where they may, than for the Congress officially and formally to ratify a program, initiate a program, if you please, even though it be by way of limitation, with the limits so near the sky that I cannot myself vote for the amendments or for the joint resolution as amended.

Mr. BARKLEY. Mr. President, I do not wish to consume any time in a discussion of the question of subsidies. I shall merely state the situation which confronts the Senate.

Unless the pending joint resolution shall be adopted, the Commodity Credit Corporation will cease to exist. As a matter of fact, technically it is out of existence now, and has been since midnight of the 30th of June.

I realize that we may debate indefinitely the question of subsidies, and their propriety and wisdom. I myself personally have never liked subsidies; I do not even enthuse over the word "subsidy." As far back as the days when the ship subsidy bill was before the Congress, I voted against it.



Much can be said on both sides, however, in regard to the white-collar employees of the country whose wages and salaries have not been increased. Any increase in the cost of living falls heavily upon them, and more heavily than upon other classes of workmen whose wages have been increased. I dare say that it would be accurate to state that among all the wage earners and salary earners in the United States, the so-called white-collar worker has had the smallest increase, and in many cases none whatever. The present increase in the cost of living has operated to decrease his wages below what they were when the war started. We all know that neither taxes nor increased wages are equitably distributed among the people of the United States. I doubt whether they can be.

The excuse or reason for subsidies is twofold. One object has been to prevent decreases in the cost of living from being rolled back upon the producer. None of us here is willing to vote for a decrease in the prices of agricultural products. Neither the Administrator of the Food Administration Act, nor anyone associated with him or with the Government, has been willing, by any ceiling placed upon prices, to reduce, or, except in one or two instances, even to freeze the prices of agricultural products. Certainly no one wants to reduce them.

In order to prevent that, the subsidy in part has been invented, or devised, and I doubt very much whether any increased taxes we are required to levy upon the white-collar element of our country will be as burdensome as an increased cost of living, perpetuated by the spiral of inflation, about which we all talk. Therefore, we are confronted with the problem whether we shall continue the Commodity Credit Corporation, which everyone admits is doing a constructive and fine job, or shall adopt the pending joint resolution, continuing it with the limitations which the Senate has seen fit to place upon it. If it should turn out that it is continued without these limitations, of course it could do what it has been doing, without restriction, and it seems to me to be inconsistent on the part of those who are against subsidies at all to say, "We will not vote for any restriction, on the ground that it is an administrative proposition, and we will let the Administrator and the administration take the responsibility."

I do not believe Congress can avoid its responsibility in that way, and, therefore, I think it would be most unfortunate if the joint resolution should be defeated, which would kill the Commodity Credit Corporation entirely, and leave Congress and the whole administration still up in the air, without the consumer or the producer or those who process the things produced knowing what should be done in the interim between now and the 1st of January. Therefore, I hope that the joint resolution will be passed.

Mr. MALONEY. Mr. President, I should like to discuss the joint resolution very briefly. I think that a vote "no" on the pending measure will have no other effect than to destroy the Commodity

Credit Corporation. Those who vote "no" because they are opposed to subsidies are, in my judgment, laboring under a misapprehension. Those who vote "no" because they are fearful that they will place themselves and the Congress on record as favoring or legalizing subsidies are hiding behind nothing.

If the Commodity Credit Corporation joint resolution now before us shall be defeated subsidies will continue, and probably in great volume. Whether or not some men doubt that they are legal seems to me, at this date, to be of little importance. I think it is time that we take a realistic view. As I see it, so far as the proposed legislation is concerned, there is no longer a way to avoid subsidies. As I view the situation, those who are opposed to subsidies, those who are against them because they feel they are extravagant, should wholeheartedly support the pending measure with the Taft amendment attached. The Taft amendment is nothing more or less than a limit on subsidies, a restriction upon those who will administer the law, and a definite limitation on the funds.

The charge is made, on and off the floor, that we are heading into the spending of billions of dollars, that we are, by this action, if the joint resolution shall be approved, advocating subsidies almost without end. Unless the joint resolution shall be passed as it is now before us we may spend those billions, and I foresee inflation, I foresee extravagance, I foresee a heavier burden upon the white-collar worker.

Hearing some of the debate, one would think that we were dealing only with the question of a few cents a pound on butter and a few cents a pound on meat. Such is not at all the case. If prices are permitted to rise in a free and unrestricted price market Senators should find it easy to understand that the increases will go right across the board, that they not only will concern foodstuffs, but will affect furniture and everything else people buy and use. It seems clear to me that when those price rises take place, a rise of wages will be inevitable, and probably all across the board again. I cannot see how it is possible to maintain wage rates or to prevent wage increases if we refuse to permit the price-fixing agency of government to hold down the prices of produce and products.

So I think, Mr. President, we can make a grievous mistake. It is most unfortunate, it seems to me, that those who are most bitterly opposed to subsidies, and look with great dread upon them, refuse to vote for a measure placing a limitation and a restriction on subsidies. There will be little consolation for those who vote against the joint resolution, if it is defeated, in being able to say, "We refused to legalize the subsidy program with which we did not agree. We will place the burden of responsibility upon the administration and the executive branch of the Government."

Wherein can we find consolation in that, when every last one of us knows that under existing law, as it is interpreted by the Attorney General, sub-

sidies are going to continue in increasing volume?

Mr. President, I do not know that the way now proposed to be followed is the right way. I am sorry that we did not have a definite program in the beginning. I am sorry the O. P. A. so long delayed. I am sorry that the Congress was not taken into partnership as the program was undertaken. But, Mr. President, though it may be wrong, it is clear to me at least that it is the lesser of two dangers, perhaps two great dangers, and if the Congress goes home, after striking down this measure, and there is no legislation, let it be clearly understood that no limitation or no restriction will have been placed on subsidies, and by the time we come back we will be deep in a subsidy program. If I am wrong about that, there is another danger. Prices may have gone out of control, the chance to stabilize wages may have been lost, and the damage will have been done. We shall only have the satisfaction of saying, "We voted to refuse to legalize subsidies."

I could find no comfort in that, Mr. President, and I hope the joint resolution will pass.

Mr. BARKLEY. May I utter simply one sentence which I overlooked a moment ago? In the President's message he urged the Congress and the executive branch to get together and work out a program. I think the whole country would like to see that done. I know that we in the Senate, and I think the statement applies to the House, as well as to the country generally, deplore the constant bickering in the midst of war between the executive and the legislative branches.

Mr. TAFT. And, Mr. President, I may add between different members of the executive branch.

Mr. BARKLEY. Yes; I include that statement, between different members of the executive branch.

Mr. President, in the proposed legislation we have attempted to get together, and I wish to pay tribute to the Senator from Ohio, who has contributed much to the effort to present a workable program which Congress could enact. We have called in all those interested in the administration of the program. We have called in the R. F. C., the Commodity Credit Corporation, the Office of War Mobilization, the Office of Price Administration, and their legal counsel, and we have sat down together and tried to work out a program which will be acceptable. The measure before us is the result. If we defeat this measure, what assurance have we that any further effort of the two ends of Pennsylvania Avenue to get together will be successful?

Mr. President, I desired to make that statement because it is true, and because I wanted to take advantage of the opportunity to express my deep appreciation for the contribution made by the Senator from Ohio [Mr. Taft] to bring about this result.

INVESTIGATION OF ACCUMULATION OF STRATEGIC WAR MATERIALS

Mr. BRIDGES. Mr. President, last week I submitted to the Senate a resolu-



tion calling for an investigation of the policies and acts in connection with the accumulation of strategic war materials. That Senate resolution provided for an investigation to be made by the Military Affairs Committee of the Senate, or a subcommittee thereof. On the insistence of the majority leader, the Senator from Kentucky [Mr. BARKLEY], the resolution was referred to the Committee on Banking and Currency. The majority leader is now present in the Chamber. The chairman of the Banking and Currency Committee sits in the Chamber. I am of the opinion that the resolution was referred to the wrong committee, but if we can obtain action from that committee I shall not protest further.

Mr. President, the policies regarding the accumulation of strategic war materials from the very beginning have been a subject which has been dealt with by the Military Affairs Committee. It is true, as the majority leader has stated, that the R. F. C., its various affiliated companies, and the B. E. W., perhaps came into existence through legislation creating them acted on by the Committee on Banking and Currency, but all acts regarding the accumulation of strategic war materials, which is the subject in controversy, have always been handled by the Military Affairs Committee.

We have just witnessed the picture of two outstanding figures in this country, one the Vice President of the United States, head of the B. E. W., and the other the Secretary of Commerce, head of the R. F. C., each one directing accusations against the other and challenging the other. Let me quote from the statements. Vice President WALLACE, speaking of Mr. Jones, and the R. F. C. or the R. F. C. companies, stated:

They have been hindering the war effort.

Vice President WALLACE further accused Mr. Jones and the R. F. C. of failure to build up adequate Government stock piles of strategic materials as authorized and directed by the Congress 18 months before Pearl Harbor.

Vice President WALLACE further accused Mr. Jones of misrepresenting facts concerning the Board of Economic Warfare. He further stated that Mr. Jones' attitude was bureaucracy at its worst, and utterly inexcusable in a nation at war.

Let us see what Mr. Jones said about Mr. WALLACE. He said:

His tirade is so filled with malice, innuendo and half truths, and no truths at all, that considerations of self-respect and common justice to my associates force me to expose his unscrupulous tactics.

He further said:

This is a falsehood out of whole cloth.

Again he said:

There is no truth in this.

And so on. Those are some of the statements made by both men. Both men may be wrong. Probably, however, one is wrong and one is right.

Mr. President, this is a serious subject. It concerns the future of this country. It concerns the life of millions of American boys. It concerns the success or

failure of our war program. I believe the American Congress is entitled to know, and I think the American public is entitled to know, who is right and who is wrong, and when the investigation shall have been completed, steps should be taken to correct the condition.

Mr. President, I say the Senate of the United States would be derelict in its duty unless action is taken by it to authorize such an investigation. I request the chairman of the Committee on Banking and Currency to take action with respect to it, so we may have a subcommittee in action during the period of the recess. Let us not try to dodge this issue.

In order that the whole story may be before us, I ask unanimous consent to have printed in the RECORD, as a part of my remarks, the statement in full made by Vice President WALLACE, and the statement in full made by the Secretary of Commerce, Mr. Jesse Jones.

The ACTING PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The statements are as follows:

STATEMENT BY VICE PRESIDENT WALLACE,  
CHAIRMAN, BOARD OF ECONOMIC WARFARE,  
JUNE 29, 1943

Vice President WALLACE today made public a statement originally prepared for the Senate Committee on Appropriations. In releasing this statement he said:

"On June 4 my good friend, Senator McKELLAR from Tennessee, said certain things about the Board of Economic Warfare on the floor of the Senate which moved me to prepare a statement. After sleeping over the matter for several nights I decided not to make it.

"Milo Perkins, Executive Director of the Board of Economic Warfare, recently appeared before the Senate Committee on Appropriations to discuss the work of the Board. During his testimony he indicated that, in the interest of unity, he was reluctant to discuss the failure of the Reconstruction Finance Corporation to build adequate Government stock piles of strategic materials as authorized and directed by the Congress nearly 18 months before Pearl Harbor.

"Since his appearance before the Senate Committee on Appropriations, the effort to misrepresent the facts concerning the work of the Board of Economic Warfare has continued. Some of these misrepresentations which have been called to my attention during the past week have been of such a nature that I have decided to release the statement as originally prepared. I am asking Senator McKELLAR to make it part of our hearings.

"It seems to me that on a matter such as this, I, and only I, as Chairman of the Board of Economic Warfare, can make the kind of presentation that will set the record straight.

"There are times when the sense of public duty outweighs the natural, personal reluctance to present facts of this nature. This is such a time."

STATEMENT BY VICE PRESIDENT WALLACE,  
CHAIRMAN OF THE BOARD OF ECONOMIC WARFARE AS ORIGINALLY PREPARED FOR THE  
SENATE COMMITTEE ON APPROPRIATIONS

On June 4, 1943, the chairman of this committee discussed the work of the Board on the floor of the Senate. His statement contained certain inaccuracies for which the Senator was not responsible. He was basing his comments on testimony which he said Mr. Jesse Jones had given before the Joint

Committee on the Reduction of Nonessential Federal Expenditures.

I realize that when the distinguished Senator from Tennessee made his remarks on the floor of the Senate he felt he had been correctly informed by the Secretary of Commerce. The actual facts are at variance with the information given the Senator, however, and I feel compelled to state the correct information for the record.

Senator McKELLAR said on June 4: "No congressional appropriation has ever been made for the payment of a single person employed in the Board of Economic Warfare. The Senate Appropriations Committee, of which I happen to be temporarily the head, has never appropriated any money for the Board of Economic Warfare."

On May 30, 1942, the President transmitted for the consideration of Congress an estimate of an appropriation for the salaries and expenses of the Board of Economic Warfare for the fiscal year 1943 (Document No. 760, 77th Cong., 2d sess.). After hearings before the House Appropriations Committee, during which we gave detailed testimony, that committee favorably reported H. R. 7319, which contained an item for salaries and expenses of the Board of Economic Warfare (Rept. No. 2295, 77th Cong., 2d sess.). The bill passed the House on June 30, 1942, and was reported by Senator McKELLAR, for the Senate Committee on Appropriations, on July 10, 1942. The report suggested changes in some other items in the bill but left unchanged the item for salaries and expenses of the Board of Economic Warfare (Senate Rept. No. 1542). The bill as passed by the Senate on July 16, 1942, and approved by the President on July 25, 1942, contained an item in the amount of \$12,000,000 for salaries and expenses of the Board of Economic Warfare (Public Law No. 678, 77th Cong.). Mr. Perkins was not called upon to testify with regard to the item when it was considered by the Senate Committee on Appropriations. However, on October 12, 1942, Mr. Perkins appeared before the subcommittee of the Senate Committee on Appropriations, with Senator McKELLAR presiding, to explain the need for certain amendments in the appropriation language, primarily to take care of the payment of living and quarters allowances to employees stationed abroad. These amendments were included in an item entitled "Board of Economic Warfare" in Public No. 763, Seventy-seventh Congress, approved October 26, 1942.

In the same statement on the floor of the Senate on June 4, 1943, Senator McKELLAR said: "Mr. Jesse Jones testified a day or two ago before the so-called economy committee, that Mr. Milo Perkins absolutely ran the entire establishment of 2,620 employees; that his word was law, even over him, Mr. Jesse Jones and that he had received a directive from Mr. Perkins to furnish the money to pay all these employees."

The Board has never obtained money for administrative purposes from the Reconstruction Finance Corporation, nor has the Board ever directed Mr. Jesse Jones or any Reconstruction Finance Corporation subsidiary to furnish money to pay the salaries of any of the Board's employees or any of its administrative expenses. All such salaries and expenses are paid from funds appropriated by the Congress to the Board of Economic Warfare.

There have been a few occasions where, in connection with the joint operations of the Board of Economic Warfare and the Reconstruction Finance Corporation field staffs in foreign countries, arrangements have been worked out jointly for the payment of certain joint staff expenses by either the Board or the Corporation. In these cases reimbursement by the one agency or the other has been made in accordance with established Government procedures.



of mahogany has been delivered under this contract.

During this period mahogany has continued to be imported by private importers with the aid of the Reconstruction Finance Corporation.

Canadian alcohol: A contract for 6,000,000 to 9,000,000 gallons of Canadian alcohol was negotiated and prepared by the Board of Economic Warfare. This required 7½ months, although the contract was substantially similar to contracts for the purchase of domestic alcohol which the Reconstruction Finance Corporation has been handling for some time. In 1942 the Reconstruction Finance Corporation bought 90,000,000 gallons of domestic alcohol and its purchases during 1943 will probably reach 350,000,000 gallons.

Chinese bristles: January 1943, the Board of Economic Warfare started negotiations for additional Chinese bristles. Six months later, despite the urgent need for this critical material, the contract has not been made.

Horse tail and hair: From December 1942 to June 1943, the Board of Economic Warfare held up all new imports of dressed horse tail and mane hair, while the plan previously inaugurated by the Reconstruction Finance Corporation was under discussion and review. In consequence, the Reconstruction Finance Corporation must now release to the trade a substantial portion of its stock pile in order to make available sufficient supplies to the processors.

Vinyl acetate: The negotiations by the Board of Economic Warfare of a contract with a Canadian concern for vinyl acetate, used in plastics and as an adhesive in the manufacture of shoes in place of rubber cement, took from early January to the middle of March 1943. A final contract for this material is similar to one previously negotiated and executed by the Reconstruction Finance Corporation, which took less than 1 week.

Turkish chrome: Long before the Board of Economic Warfare entered the field, the Reconstruction Finance Corporation made a large contract for the purchase of Turkish chrome. Late in 1942 it became apparent that certain amendments to this contract had become necessary because of changed conditions. The Board of Economic Warfare on January 26, 1943, informed us that it would prepare such amendments. To date they have not been submitted.

Mexican mica: In January 1943, before issuance of the Board of Economic Warfare Order No. 5, which was intended to divest the Reconstruction Finance Corporation of authority to negotiate its own contracts, the Reconstruction Finance Corporation authorized the Board of Economic Warfare representatives in Mexico to negotiate a contract for the development of mica resources in that country. In April 1943 a contract was submitted, which even the Board of Economic Warfare agreed was clearly not in line with authority given and, furthermore, was bad business. On June 25, the Board of Economic Warfare submitted a new proposed draft of this contract for comment, which was in more acceptable form. The contract itself, however, has not yet been submitted to the Reconstruction Finance Corporation for execution.

Peruvian antimony: The basic terms of a contract for the purchase of Peruvian antimony metal were agreed upon in February 1943. The final contract, however, was only submitted by the Board of Economic Warfare to the Reconstruction Finance Corporation in June 1943, although it did not substantially depart from the terms originally agreed upon.

Cobalt ore: March 5, 1943, the Reconstruction Finance Corporation delivered to the Board of Economic Warfare a draft of a proposed contract for the purchase of cobalt ore. The Board of Economic Warfare made some minor changes in this contract and

mailed it to the seller on April 19, 6 weeks later.

Peruvian over-all agreement: The over-all agreement between the Peruvian Government and the Reconstruction Finance Corporation relative to the purchase of strategic materials from Peru expired on September 15, 1942. The Board of Economic Warfare was unwilling to leave to the Reconstruction Finance Corporation the negotiation of a renewal of this agreement. The Board of Economic Warfare undertook to do so. They are apparently still negotiating because the renewal has not yet been signed.

Mr. BARKLEY. Mr. President, I was engaged for the moment. What was the request made by the Senator from New Hampshire?

Mr. BRIDGES. It is too late for the Senator to object now.

Mr. BARKLEY. I should like to know what the request was.

Mr. BRIDGES. I shall be glad to tell the Senator. My request was that Vice President WALLACE's statement and the statement made by the Secretary of Commerce, Mr. Jones, be printed in the RECORD.

Mr. BARKLEY. Oh, no, I would not object to that.

Mr. BRIDGES. I thought every one was entitled to know what the statements were.

Mr. VANDENBERG. The only trouble with that, Mr. President, is that the Postmaster General might bar the publication from the mails.

Mr. BRIDGES. Perhaps we can get some one to intercede with the Postmaster General.

Mr. VANDENBERG. Perhaps.

#### PARTICIPATION OF ALL CLASSES OF AMERICAN CITIZENS IN THE WAR PROGRAM

Mr. BRIDGES. Mr. President, we have seen race riots going on in the country. We have seen stoppages in war work occur. Therefore on behalf of the Senator from Illinois [Mr. BROOKS] and myself I offer out of order a resolution for an investigation of these subjects, which I ask to have read at the desk.

The PRESIDING OFFICER (Mr. ELLENDER in the chair). The resolution will be read.

The resolution (S. Res. 171) was read, as follows:

*Resolved*, That a special committee of seven Senators, to be appointed by the President of the Senate, is authorized and directed to make a full and complete investigation into race riotings, war stoppages, and the participation of all American citizens, regardless of race, creed, or color, in all industrial and other phases of the national war program. The committee shall report to the Senate, as soon as practicable, the results of its study and investigation, together with its recommendations for legislation or other governmental action designed to promote peace on the home front, in the industries producing war goods, and in the various armed services, thereby assuring the participation of all American citizens in the national war program.

SEC. 2. (a) For the purpose of this resolution the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Seventy-eighth Congress, to utilize such voluntary and uncom-

pensated services, and to employ such experts and clerical, stenographic, and other assistants (without regard to the civil-service laws, but subject to the Classification Act of 1923, as amended), as it may deem necessary. The committee may utilize the services, information facilities, and personnel of the various departments and agencies of the Government.

(b) The committee, or any duly authorized subcommittee thereof, shall have the power to require, by subpoena or otherwise, the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures as it deems advisable. The cost of stenographic services to report the educational material, data, and testimony taken at such hearings shall not be in excess of 25 cents per 100 words.

SEC. 3. The expenses of the committee, which shall not exceed \$25,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

Mr. BRIDGES. Mr. President, the need for an investigation, as authorized by the resolution, is supported by many civic groups of this country, including several Negro organizations, such as the National Negro Council; the United Government Employees, headed by Edgar Brown; the National Negro Publishers Association; and the We Are Americans Too Conference. The need for a fair and impartial investigation is also supported by some of the outstanding publications of the country, such as the New York Times. It is further supported by thoughtful individuals everywhere. I personally want the facts ascertained and want fair consideration for all.

The PRESIDING OFFICER. What disposition is requested to be made of the resolution?

Mr. BRIDGES. Mr. President, I ask that the resolution be referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. BARKLEY. Mr. President, under the rule the resolution should be referred to a standing committee before it goes to the Committee to Audit and Control the Contingent Expenses of the Senate, so as to have a report on the resolution from one of the standing committees. In considering the question of which committee the resolution might be assigned, let me say that probably it would properly go to either the Committee on Education and Labor or the Committee on the Judiciary. I have no particular preference. The Committee on the Judiciary probably would be the better one to handle it.

The PRESIDING OFFICER. The resolution will be referred to the Committee on the Judiciary.

Mr. BONE. Mr. President, I am sufficiently curious about the proposal of the Senator from New Hampshire to ask him if it is not a fact that the authority of the Truman committee is so great that its activities might cover the whole field of the resolution submitted by the Senator from New Hampshire. As I understand, the basic authority of the Truman committee is such that it might readily be directed by the Senate to inquire into the matters referred to. I know it has been going into the whole field.



Mr. BRIDGES. I ask the Senator if he refers to my resolution for an investigation of the quarrel between the Vice President and Jesse Jones or the resolution I more recently have submitted.

Mr. BONE. No; the latter resolution.

Mr. BRIDGES. The Senator would not attempt to have the Truman committee investigate the former; would he?

Mr. BONE. I referred to the latter resolution the Senator submitted. In view of the fact that the Truman committee has almost unlimited authority, I am wondering whether the Senator would have the committee he suggests encroaching on ground which could be covered by the Truman committee.

Mr. BRIDGES. That is something the committee to which the resolution has been referred will have to take into consideration.

#### CONTINUATION OF COMMODITY CREDIT CORPORATION

The Senate resumed consideration of the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The PRESIDING OFFICER. The joint resolution is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and third reading of the joint resolution.

Mr. AIKEN. Mr. President, what is the question before the Senate?

The PRESIDING OFFICER. House Joint Resolution 147, the Commodity Credit Corporation resolution.

Mr. BARKLEY. The Chair refers to the joint resolution the Senate has been considering yesterday and today.

Mr. AIKEN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	Revercomb
Barkley	Hayden	Reynolds
Bone	Hill	Robertson
Bridges	Holman	Scrugham
Brooks	Johnson, Colo.	Shipstead
Buck	Kilgore	Smith
Burton	La Follette	Stewart
Butler	Langer	Taft
Capper	Lucas	Thomas, Okla.
Caraway	McCarran	Thomas, Utah
Chavez	McClellan	Tunnell
Clark, Mo.	McFarland	Tydings
Connally	McKellar	Vandenberg
Danaher	Maloney	Van Nuys
Davis	Maybank	Wagner
Downey	Millikin	Wallgren
Ellender	Murdock	Walsh
Ferguson	Nye	Wheeler
George	O'Daniel	Wherry
Gerry	O'Mahoney	White
Guffey	Radcliffe	Wiley
Gurney	Reed	Willis

The PRESIDING OFFICER. Sixty-six Senators have answered to their names. A quorum is present.

Mr. SHIPSTEAD. Mr. President, the bill vetoed by the President provided for the payment of subsidies on which commitments had been made. I voted for that bill because I wanted to make good the commitments. However, the bill

carried a vague, equivocal prohibition of the continuation of that policy.

The Senate now has before it a joint resolution providing that the policy shall be a continuing one. I shall not take the time of the Senate to go into the reasons for my position on the matter. I said yesterday what I had to say about general subsidies. I shall not repeat anything I then said.

The Commodity Credit Corporation should be saved; but I do not like the theory of piling upon it a great many extraneous matters, in absolute contravention and in opposition to the will of the Senate and of the House of Representatives, as expressed less than 3 weeks ago.

I was not able to be present when the vote was taken on the amendment of the Senator from Ohio [Mr. TAFT]. Under the rules I have the right to move a reconsideration of that vote. I now move to reconsider the vote agreeing to the committee amendment inserting section 5 in the joint resolution, and ask for the yeas and nays.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Minnesota [Mr. SHIPSTEAD] to reconsider the vote by which the amendment of the Senator from Ohio [Mr. TAFT] to the committee amendment was agreed to. The yeas and nays have been demanded. Is the demand sufficiently seconded?

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I understand that if he were present and voting, he would vote "nay." If I were at liberty to vote I would vote "yea."

Mr. ELLENDER (when his name was called). On this question I have a pair with the junior Senator from Virginia [Mr. BYRD]. I am advised that if he were present and voting he would vote yea. If I were at liberty to vote I would vote nay.

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from New York [Mr. MEAD], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from Vermont [Mr. AUSTIN], who would vote "yea," is paired with the Senator from

Massachusetts [Mr. LODGE], who would vote "nay."

The Senator from New Jersey [Mr. BARBOUR] would vote "nay."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 33, nays 32, as follows:

#### YEAS—33

Aiken	Holman	Robertson
Bridges	Johnson, Colo.	Shipstead
Brooks	Langer	Smith
Butler	McCarran	Stewart
Capper	McClellan	Thomas, Okla.
Clark, Mo.	McKellar	Tydings
Ferguson	Maybank	Van Nuys
George	Millikin	Wheeler
Gerry	O'Daniel	Wherry
Gurney	Reed	Wiley
Hawkes	Reynolds	Willis

#### NAYS—32

Barkley	Hill	Russell
Bone	Kilgore	Scrugham
Buck	La Follette	Taft
Burton	Lucas	Thomas, Utah
Caraway	McFarland	Tunnell
Chavez	Maloney	Vandenberg
Connally	Murdock	Wagner
Danaher	Nye	Wallgren
Downey	O'Mahoney	Walsh
Guffey	Radcliffe	White
Hayden	Revercomb	

#### NOT VOTING—31

Andrews	Clark, Idaho	Mead
Austin	Davis	Moore
Bailey	Eastland	Murray
Ball	Ellender	Overton
Bankhead	Gillette	Pepper
Barbour	Glass	Thomas, Idaho
Bilbo	Green	Tobey
Brewster	Hatch	Truman
Bushfield	Johnson, Calif.	Wilson
Byrd	Lodge	
Chandler	McNary	

So Mr. SHIPSTEAD's motion to reconsider was agreed to.

The VICE PRESIDENT. The question recurs on agreeing to the committee amendment as amended.

Mr. BARKLEY. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I understand that if present he would vote "yea." If I were at liberty to vote, I should vote "nay."

Mr. ELLENDER (when his name was called). On this vote I have a pair with the junior Senator from Virginia [Mr. BYRD]. If present, the Senator from



Virginia would vote "nay." If I were at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Georgia [Mr. RUSSELL] is detained on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. OVERTON], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from New York [Mr. MEAD], the Senator from Montana [Mr. MURRAY], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from Vermont [Mr. AUSTIN], who would vote "nay," is paired with the Senator from Massachusetts [Mr. LODGE], who would vote "yea."

The Senator from New Jersey [Mr. BARBOUR] would vote "yea."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 31, nays 33, as follows:

## YEAS—31

Barkley	Johnson, Colo.	Scrugham
Bone	Kilgore	Taft
Buck	La Follette	Thomas, Utah
Burton	Lucas	Tunnell
Caraway	McFarland	Vandenberg
Chavez	Maloney	Wagner
Danaher	Murdock	Wallgren
Downey	Nye	Walsh
Guffey	O'Mahoney	White
Hayden	Radcliffe	
Hill	Revercomb	

## NAYS—33

Alken	Hawkes	Robertson
Bridges	Holman	Shipstead
Brooks	Langer	Smith
Butler	McCarran	Stewart
Capper	McClellan	Thomas, Okla.
Clark, Mo.	McKellar	Tydings
Connally	Maybank	Van Nuys
Ferguson	Millikin	Wheeler
George	O'Daniel	Wherry
Gerry	Reed	Wiley
Gurney	Reynolds	Willis

## NOT VOTING—32

Andrews	Clark, Idaho	Mead
Austin	Davis	Moore
Bailey	Eastland	Murray
Ball	Ellender	Overton
Bankhead	Gillette	Pepper
Barbour	Glass	Russell
Bilbo	Green	Thomas, Idaho
Brewster	Hatch	Tobey
Bushfield	Johnson, Calif.	Truman
Byrd	Lodge	Wilson
Chandler	McNary	

So the committee amendment; as amended, was rejected.

The VICE PRESIDENT. The joint resolution is before the Senate and open to further amendment. If there be no further amendments to be offered, the question is on the engrossment of the amendments, and the third reading of the joint resolution.

The amendments were ordered to be engrossed, and the joint resolution was read the third time.

The VICE PRESIDENT. The joint resolution having been read the third time, the question is, Shall it pass?

Mr. AIKEN. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. ELLENDER (when his name was called). On this vote I have a pair with the junior Senator from Virginia [Mr. BYRD]. If present, the Senator from Virginia would vote "nay." If I were at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. DAVIS (after having voted in the affirmative). As heretofore announced, I have a pair with the junior Senator from Kentucky [Mr. CHANDLER]. I am informed that, if present, he would vote as I have voted. Therefore, I permit my vote to stand.

Mr. TAFT. I change my vote from "yea" to "nay."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Georgia [Mr. RUSSELL] is absent on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from New York [Mr. MEAD], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from New Jersey [Mr. BARBOUR] and the Senator from New Hampshire [Mr. TOBEY], if present, would vote "yea."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 29, nays 36, as follows:

## YEAS—29

Barkley	Kilgore	Scrugham
Bone	La Follette	Thomas, Utah
Burton	Langer	Tunnell
Caraway	Lucas	Vandenberg
Chavez	McFarland	Wagner
Davis	Maloney	Wallgren
Downey	Murdock	Walsh
Guffey	Nye	White
Hayden	O'Mahoney	Wiley
Hill	Radcliffe	

## NAYS—36

Alken	Gurney	Reynolds
Bridges	Hawkes	Robertson
Brooks	Holman	Shipstead
Buck	Johnson, Colo.	Smith
Butler	McCarran	Stewart
Capper	McClellan	Taft
Clark, Mo.	McKellar	Thomas, Okla.
Connally	Maybank	Tydings
Danaher	Millikin	Van Nuys
Ferguson	O'Daniel	Wheeler
George	Reed	Wherry
Gerry	Revercomb	Willis

## NOT VOTING—31

Andrews	Clark, Idaho	Moore
Austin	Eastland	Murray
Bailey	Ellender	Overton
Ball	Gillette	Pepper
Bankhead	Glass	Russell
Barbour	Green	Thomas, Idaho
Bilbo	Hatch	Tobey
Brewster	Johnson, Calif.	Truman
Bushfield	Lodge	Wilson
Byrd	McNary	
Chandler	Mead	

So the joint resolution was not passed.

Mr. TAFT. I move to reconsider the vote by which House Joint Resolution 147 was rejected.

Mr. McKELLAR. I move to lay that motion on the table.

The VICE PRESIDENT. Those in favor—

Mr. DANAHER. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, I ask unanimous consent to speak 10 minutes on the motion to reconsider. I do not think the Senate understands what it is voting on, and I should like, at least, to have the question discussed.

The VICE PRESIDENT. Is there objection to the request of the Senator from Ohio?

Mr. BARKLEY. Mr. President, I wonder if the Senator from Tennessee will withhold his motion for the present?

Mr. McKELLAR. I do not object to allowing the Senator from Ohio 10 minutes. If he wishes to have 10 minutes, I will agree to that, but I am not willing to withdraw the motion.



Mr. DANAHER. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator from Connecticut will state it.

Mr. DANAHER. Has not the unanimous consent agreement which provided with reference to a vote on the joint resolution now expired, and is the Senator from Ohio not, therefore, free to speak as long as he chooses?

Mr. McKELLAR. Oh, no; a motion to lay on the table is pending.

The VICE PRESIDENT. The Senator from Ohio is speaking on a motion to lay on the table, and it is necessary to obtain a unanimous consent to enable the Senator from Ohio to proceed. If there is no objection, the Senator from Ohio may proceed.

Mr. AIKEN. Mr. President—

Mr. TAFT. I only have 10 minutes, and I prefer not to yield.

The VICE PRESIDENT. The Senator from Ohio declines to yield.

Mr. AIKEN. Mr. President, a parliamentary inquiry. Has unanimous consent been given? I did not understand the question had been put. If the Senator from Ohio is permitted to speak, I believe that others who might have an opposite view should also be permitted to speak.

Mr. McKELLAR. The Senator from Vermont has a right to object to the request for unanimous consent.

Mr. AIKEN. I shall not object provided that any Senator on the other side may also speak.

The VICE PRESIDENT. The Chair would like to inquire of the Senator from Tennessee if he has withdrawn his motion?

Mr. McKELLAR. Oh, no; I have insisted on my motion to lay on the table. It is not debatable.

The VICE PRESIDENT. Is there objection to the request of the Senator from Ohio?

SEVERAL SENATORS. Vote!

The VICE PRESIDENT. The Chair hears—

Mr. AIKEN. Unless other Senators are given an opportunity to speak, I object. If they are, I shall not object.

SEVERAL SENATORS. Vote!

Mr. TAFT. I ask unanimous consent, Mr. President—

The VICE PRESIDENT. The Chair understands the Senator from Vermont has objected. Is that correct?

Mr. AIKEN. Unless it is agreed that both sides shall have an opportunity to speak. I do not want a one-sided discussion over this matter.

Mr. McKELLAR. I object. I ask for a vote on the motion.

The VICE PRESIDENT. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll, and Mr. AIKEN voted in the affirmative when his name was called.

Mr. LUCAS. A parliamentary inquiry.

The VICE PRESIDENT. The Senator from Illinois will state the parliamentary inquiry.

Mr. LUCAS. I want order, if I can get it.

Mr. DANAHER. A parliamentary inquiry.

The VICE PRESIDENT. The Senator from Illinois is just propounding a parliamentary inquiry.

Mr. LUCAS. I wish to know exactly what the Senate is voting on at the present time.

Mr. CONNALLY. A motion to table.

Mr. LUCAS. I am asking the Chair.

The VICE PRESIDENT. The question is on the motion of the Senator from Tennessee [Mr. McKELLAR] to lay on the table the motion of the Senator from Ohio [Mr. TAFT] to reconsider the vote by which the joint resolution was rejected.

Mr. LUCAS. I thank the Chair.

Mr. DANAHER. A parliamentary inquiry.

The VICE PRESIDENT. The Senator from Connecticut will state it.

Mr. DANAHER. If the motion to table shall be defeated, will the motion to reconsider be debatable?

The VICE PRESIDENT. It will be.

Mr. DANAHER. I thank the Chair.

The VICE PRESIDENT. The clerk will continue the roll call.

The legislative clerk resumed the calling of the roll.

Mr. ELLENDER (when his name was called). On this vote I have a pair with the junior Senator from Virginia [Mr. BYRD]. If present, he would vote "yea." If I were permitted to vote, I should vote "nay."

Mr. WAGNER (when Mr. MEAD's name was called). My colleague, the junior Senator from New York [Mr. MEAD], is necessarily absent. If he were present, he would vote "nay."

The roll call was concluded.

Mr. DAVIS (after having voted in the negative). The junior Senator from Kentucky [Mr. CHANDLER], with whom I have a pair, would, if present, vote a I have voted, and I permit my vote to stand.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Georgia [Mr. RUSSELL] is absent on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from New Jersey [Mr. BARBOUR] and the Senator from New Hampshire [Mr. TOBEY] would vote "nay."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey

[Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LONGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 32, nays 33, as follows:

#### YEAS—32

Aiken	Gurney	Reynolds
Bridges	Hawkes	Shipstead
Brooks	Holman	Smith
Buck	Johnson, Colo.	Stewart
Butler	McCarran	Thomas, Okla.
Capper	McClellan	Tydings
Clark, Mo.	McKellar	Van Nuys
Connally	Maybank	Wheeler
Ferguson	Millikin	Wherry
George	O'Daniel	Willis
Gerry	Revercomb	

#### NAYS—33

Barkley	Kilgore	Robertson
Bone	La Follette	Scruggam
Burton	Langer	Taft
Caraway	Lucas	Thomas, Utah
Chavez	McFarland	Tunnell
Danaher	Maloney	Vandenberg
Davis	Murdoch	Wagner
Downey	Nye	Wallgren
Guffey	O'Mahoney	Walsh
Hayden	Radcliffe	White
Hill	Reed	Wiley

#### NOT VOTING—31

Andrews	Clark, Idaho	Moore
Austin	Eastland	Murray
Bailey	Ellender	Overtton
Ball	Gillette	Pepper
Bankhead	Glass	Russell
Barbour	Green	Thomas, Idaho
Bilbo	Hatch	Tobey
Brewster	Johnson, Calif.	Truman
Bushfield	Lodge	Wilson
Byrd	McNary	
Chandler	Mead	

So Mr. McKELLAR's motion to lay on the table Mr. TAFT's motion to reconsider was rejected.

Mr. TAFT obtained the floor.

Mr. AIKEN. A parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. AIKEN. The subject is now open to debate?

The VICE PRESIDENT. It is.

Mr. AIKEN. Both sides having an equal opportunity to debate? Are they limited as to time?

The VICE PRESIDENT. The Chair is not conscious of a limitation as to time.

Mr. BARKLEY. There is a limitation.

The VICE PRESIDENT. The Senator from Kentucky will state it.

Mr. BARKLEY. The Senator from Vermont asked whether there was any limit as to time. Under the unanimous-consent agreement of yesterday there is a 15-minute limitation.

The VICE PRESIDENT. A 30-minute limitation.

Mr. BARKLEY. A 15-minute limitation on the joint resolution now.

The VICE PRESIDENT. There is a limit of 15 minutes on the joint resolution and 15 minutes on the amendment.



Mr. AIKEN. Is the debate now on the joint resolution? The joint resolution and its amendments have been debated. The motion now is to reconsider.

The VICE PRESIDENT. This is further consideration of the joint resolution. The Chair rules that the limitation on time still holds.

Mr. AIKEN. I object to giving unanimous consent to the Senator from Ohio—

The VICE PRESIDENT. Unanimous consent is not involved.

Mr. AIKEN. What is the time limit?

The VICE PRESIDENT. Fifteen minutes on the joint resolution and 15 minutes on the amendment, 30 minutes in all.

Mr. GEORGE. A parliamentary inquiry.

The VICE PRESIDENT. The Chair is mistaken; it is just 15 minutes.

Mr. GEORGE. A parliamentary inquiry.

The VICE PRESIDENT. The Senator from Georgia will state it.

Mr. GEORGE. If a Senator has already spoken 15 minutes on the joint resolution, can he be heard on the pending question?

The VICE PRESIDENT. A Senator can be heard on the motion to reconsider.

Mr. GEORGE. But for only 15 minutes?

The VICE PRESIDENT. But for only 15 minutes.

Mr. GEORGE. So it makes no difference what may have occurred on the joint resolution, the 15 minutes is open to every Senator on the floor?

The VICE PRESIDENT. On the motion to reconsider.

Mr. TAFT. I might say, Mr. President, that I did not speak on the joint resolution, so that I may take my time on the joint resolution, as well as on the motion.

I think the Senate voted against House Joint Resolution 147, under a misapprehension. The debate all afternoon has been on the question of subsidies. The Senate removed the question of subsidies from the joint resolution, so it no longer relates in any way to that question. When I saw the same Senators voting against the joint resolution who voted against the subsidies, it seemed to me that they must be under a misapprehension.

Mr. STEWART. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Tennessee.

Mr. STEWART. I wish to ask the Senator a question. Is it correct to state that the Attorney General gave an opinion on the House version of the joint resolution, as it came to the Senate, to the effect that subsidies could be indulged in any way?

Mr. TAFT. The Attorney General gave no opinion regarding the pending joint resolution. The Attorney General's opinion which has been referred to in the debate was to the effect that under the Price Control Act, without any further action, the Reconstruction Finance Corporation, after the President had decided that certain foods, namely, meat and butter, were strategic materials,

could put in a roll-back subsidy in connection with those foodstuffs, or in connection with other foodstuffs.

Mr. STEWART. Any foodstuff?

Mr. TAFT. No; not any foodstuff. The joint resolution as now amended has no relation whatsoever to the Reconstruction Finance Corporation. It does not mention the Reconstruction Finance Corporation. It does not increase or decrease the powers of the Reconstruction Finance Corporation to make roll-back subsidies. It has nothing whatever to do with the question of subsidies, except in one respect, which I am about to mention.

The only effect of the joint resolution now is to continue the Commodity Credit Corporation. The Commodity Credit Corporation expired by limitation of time as of July 1. It is involved with a good many different agricultural programs having nothing to do with subsidies. I am not thoroughly familiar with what they are. Of course, it handles all the loans on wheat and cotton and corn. It has a number of other programs also having nothing to do with subsidies.

Mr. Davis and Mr. Hutson appeared before us when the joint resolution came over to the Senate and had in it nothing but the provision now left in it, and told us that they required a billion dollars more in order to carry on their normal programs.

In a measure passed and sent to the President the Senate authorized a billion dollars more general capital for the Commodity Credit Corporation. In the House, after conference, that amount was reduced to \$750,000,000. The joint resolution now before the Senate merely continues the Commodity Credit Corporation for 6 months, and for that reason the total additional capital was cut down to \$350,000,000, so that the total capital of the Commodity Credit Corporation is now \$3,000,000,000.

The joint resolution has nothing to do with what the Corporation may do in the way of subsidies. After it is passed the Corporation may do with respect to subsidies exactly what it could do before the passage of the joint resolution. In other words, the subsidy question is entirely out of the measure. All we have to consider now is whether we wish to continue the Commodity Credit Corporation, and give it \$350,000,000 more capital with which to operate, plus the provision regarding grade labeling, which is still in the joint resolution, section 6.

Mr. President, I feel rather embarrassed, because if we had made no fight whatever, if we had offered no amendment to the Commodity Credit Corporation joint resolution passed by the House, it would have gone through the Senate without question. There was no fight about it. When the Senator from Alabama [Mr. BANKHEAD] joined with me in presenting our amendment, I told him that if we made the fight for that amendment, and if the Senate or the House refused to accept it, I would certainly move to take such action as was necessary, without the inclusion of the provision for subsidies, to continue the Commodity Credit Corporation in existence.

I made the motion to reconsider because of the obligation I feel to the Senator from Alabama, as well as the fact that I thought the Senate did not understand what the issue was with respect to the joint resolution after the provisions dealing with subsidies had been removed.

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. DANAHER. Will the Senator from Ohio tell us whether he understands, as the law now stands, that the funds of the Commodity Credit Corporation may be used for subsidy purposes?

Mr. TAFT. I do not think the Commodity Credit Corporation is authorized to pay a direct subsidy, but it is authorized to buy for sale at a loss. It has been doing so. The Commodity Credit Corporation has already engaged in the program relating to vegetable oil, which involves a subsidy indirectly. The Commodity Credit Corporation, which has general powers of buying and selling agricultural commodities, can undoubtedly carry on certain kinds of subsidy operations. But the joint resolution neither increases its powers to do so nor decreases them, or affects them in any way except slightly to increase the capital.

Mr. Davis assured us that he needed \$1,000,000,000 to handle the business of the Commodity Credit Corporation without paying any subsidies at all. I have no doubt that the case for \$350,000,000 is more than adequate for purposes entirely outside the subsidy question.

Mr. DANAHER. I thank the Senator from Ohio. I will add, Mr. President, that his view and mine concur in that particular, and I should like to point out, in view of the nature of the voting which has taken place this afternoon, that when Senate bill 1108 was introduced and referred to the Committee on Banking and Currency, Mr. Davis appeared before us, and Mr. J. B. Hutson, of the Commodity Credit Corporation, as well. Thereafter I introduced, or at least adapted and presented to the committee, and the committee accepted, an amendment which appears as section 5 of the bill as it was reported on June 4 from the Committee on Banking and Currency.

Mr. President, I ask unanimous consent that section 5 as it then appeared in the bill as a committee amendment, may be printed in the RECORD at this point as a part of my remarks.

There being no objection, the section was ordered to be printed in the RECORD, as follows:

SEC. 5. Whenever a maximum price or prices shall have been established for any agricultural commodity or any commodity processed or manufactured in whole or substantial part from any agricultural commodity, including livestock, under authority of the Emergency Price Control Act of 1942 or of the act entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes," approved October 2, 1942, no subsidy or other payments shall be made either directly or indirectly to a producer, processor, manufacturer, or any other person engaged in the production, marketing, distribution, or handling of any such commodity for the purpose of compensating any such producer, processor, manufacturer,



or other person in whole or in part for any reduction or roll-back of maximum prices so established as may have been or may hereafter be ordered, from any funds heretofore or hereafter appropriated to the Commodity Credit Corporation unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purposes. The definition of the term "person" in section 302 (h) of the Emergency Price Control Act of 1942, shall apply to the term "person" as used herein.

Mr. DANAHER. Mr. President, the amendment then offered by me—and it was an adaptation of a bill which had been introduced by the Senator from South Dakota [Mr. BUSHFIELD], and it also represented the views of the Senator from Nebraska [Mr. BUTLER], and other Senators—was designed to secure to the farming interests of the country and the public generally the benefits of the Commodity Credit Corporation, but to prevent the use of the increase in the Commodity Credit Corporation's borrowing authority for subsidy purposes. The amendment at that stage, Mr. President, in no way whatever militated against the operations of the R. F. C. It in no way was involved with the Price Administrator. It was a limitation solely upon the use of the authorized borrowing power of the Commodity Credit Corporation which we were thus increasing.

Mr. President, after the measure was reported to the Senate with that committee amendment attached, request was made by administrators of various of the departments downtown for further hearings on the matter, and we went into hearings in the committee on June 8, 10, 11, 14, 15, and 16, to be exact. As I recall, everyone who had anything to do with the general over-all food picture and the subsidy situation appeared before the committee at one time or another. Out of that was evolved modification of the original committee amendment, and all the subsequent action of the Senate, and the measure finally went, as we all know, to the White House, and was vetoed, and then our later attempts to adjust and reconcile differences of viewpoint were made.

Now, Mr. President, we are at the stage where if we do not act favorably with reference to the Commodity Credit Corporation, the Corporation will no longer be in existence. I am not certain that the Senate wishes that untoward result. For my own part, I must admit that I do not wish to see the authorized borrowing power of the Commodity Credit Corporation increased for use for subsidy purposes. I was perfectly willing, on the other hand, to reconcile my objection in that particular along the lines of what the committee had hitherto done.

I wanted my own position, Mr. President, with reference to this matter, to be set forth of record.

Mr. LA FOLLETTE. Mr. President, it seems to me that the Senate has never been in a more unfortunate position than it has been in connection with this whole question ever since it arose. It has been almost impossible, I can say so far as I am personally concerned, for me ever to arrive at a point where I

could vote for or against something, and properly and accurately and adequately express myself on the whole complex problem.

So far as I am individually concerned, I have been opposed to the roll-back type of subsidies, but I have never been able to vote and I do not know of a measure which has ever offered me an opportunity to vote against that type of subsidy and for the type of subsidies which I think nearly everyone familiar with the food production crisis recognizes to be absolutely necessary, as it is now being employed, and which may prove to be even more necessary so far as the 1944 crop is concerned, namely, the subsidies offered to the farmers in order to stimulate the production of needed crops.

Mr. President, as I understand, the situation confronting the Senate at this moment is that if we strike down the Commodity Credit Corporation by voting down this naked joint resolution as it came from the House, we will place in jeopardy all the subsidies which have been promised to the farmers, and which would be paid to them by the Commodity Credit Corporation. In view of all the rough going the farmers have had since the beginning of the war, it seems to me that nothing more unfortunate could happen than to announce to them now in the middle of the crop year of 1943, that the Senate of the United States has stricken down the organization through which they would hope to obtain the subsidies they had been promised when they planted the crops.

Furthermore, Mr. President, every person familiar with the instrumentalities which are of effective use in the agricultural arm of the Government, recognizes that the Commodity Credit Corporation is one of the most effective and one of the most important instrumentalities from the standpoint of both the Government and the farmer.

While I realize that, under all the circumstances, having marched up the hill and marched down again, I cannot now ever hope to have a chance to express my position on this important and complex problem, I do appeal to my colleagues not to strike down this organization in a blind anger against the policies of the administration which we have been unable to check because we could not muster a two-thirds vote in the House of Representatives and pass over the President's veto the bill which would have stopped them.

In this situation let us not strike down this great organization, and say to the farmers of the United States that in the closing hours before the recess the Senate decided it would not even honor the promises which had been made to them when they planted the crops upon which these stimulating subsidies are being paid.

Mr. DANAHER obtained the floor.

Mr. TYDINGS. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Connecticut yield to the Senator from Maryland?

Mr. DANAHER. I am happy to yield to the Senator from Maryland.

Mr. TYDINGS. Mr. President, as the situation now exists, I think the Senator from Wisconsin has expressed what is in the minds of most of the Senators in the Chamber, no matter on which side of the question they voted. Certainly, he expressed my own thoughts very clearly.

I rise to ask the able junior Senator from Connecticut if he does not think time would be saved and the idea expressed by himself and the Senator from Wisconsin carried out if a motion were made to recommit the bill with instructions to report it tomorrow, keeping in effect the class of subsidies given on which we all agreed, and for which we can shortly formulate a provision, and barring subsidies to which as a class we are opposed, and have that matter brought in tomorrow, to be voted on after, let us say, an hour's debate by each side. Would not that accomplish the desired result?

Mr. DANAHER. Mr. President, in reply to the Senator from Maryland, let me say it is my belief that if the committee were to do that, and if the Senate and the House were to pass such a measure, the President would veto it.

Therefore, Mr. President, it is my belief that if the Senate votes favorably on the motion to reconsider, and if thereafter it votes to reopen the question of the third reading of the joint resolution, the measure will be open to further amendment, whereupon the Senate can accept the section which would keep the Commodity Credit Corporation alive and would increase its authorized borrowing power by \$350,000,000. If the Senate then were to agree to the original Banking and Currency Committee amendment, it seems to me the Senate would have accomplished what most Senators are anxious to accomplish with reference to the Commodity Credit Corporation.

So, Mr. President, in order that the matter may be clear in the minds of all Members of the Senate, I will read the committee amendment as it was first reported:

SEC. 5. Whenever a maximum price or prices shall have been established for any agricultural commodity or any commodity processed or manufactured in whole or substantial part from any agricultural commodity, including livestock, under authority of the Emergency Price Control Act of 1942 or of the act entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes", approved October 2, 1942, no subsidy or other payments shall be made either directly or indirectly to a producer, processor, manufacturer, or any other person engaged in the production, marketing, distribution, or handling of any such commodity for the purpose of compensating any such producer, processor, manufacturer, or other person in whole or in part for any reduction or roll-back of maximum prices so established as may have been or may hereafter be ordered, from any funds heretofore or hereafter appropriated to the Commodity Credit Corporation unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purpose. The definition of the term "person" in section 302 (h) of the Emergency Price Control Act of 1942, shall apply to the term "person" as used herein.



Thus, let me say to the Senator from Maryland, we would in nowise whatever interfere with the production subsidies which are guaranteed for the basic commodities, under the Commodity Credit Corporation Act, nor would we interfere with that type of production subsidy when the increased production of some commodity other than a basic commodity is called for by the Secretary of Agriculture. The Commodity Credit Corporation's funds would be available not only to stimulate production but to increase the opportunity to producers to plant, produce, and market their foodstuffs which the country so badly needs; but we would not utilize any part of the increased buying power to pay subsidies by way of roll-backs.

Mr. President, whatever the law under the Reconstruction Finance Corporation may be, whether legal or illegal, we would leave that where we find it if the particular course I have suggested is followed.

Mr. TYDINGS. and Mr. SHIPSTEAD addressed the Chair.

The VICE PRESIDENT. Does the Senator from Connecticut yield, and, if so, to whom?

Mr. DANAHER. I yield first to the Senator from Maryland, if the Senator from Minnesota will pardon me.

Mr. TYDINGS. Mr. President, I am very much impressed with what the Senator has said. Let me ask him a question. As a matter of practical administration, if the amendment the Senator has read should subsequently be agreed to by the Senate, under the ruling of the Attorney General would it be possible to pay roll-back subsidies?

Mr. DANAHER. I cannot believe, Mr. President, that Mr. Hutson and the Commodity Credit Corporation or the Comptroller General or anyone else would overlook the plain intentment of plain congressional language that says, "You shall not do it."

Mr. TYDINGS. Mr. President, will the Senator yield again?

Mr. DANAHER. I yield.

Mr. TYDINGS. In the original amendment offered by the Senator from Ohio, the date "January 1, 1944," was inserted. As I listened to the Senator from Connecticut read the amendment which he proposed to offer, that date was not mentioned, so I understood. Am I correct in my understanding?

Mr. DANAHER. Yes; the Senator is correct.

Mr. TYDINGS. Very well. So the roll-back subsidies which under the amendment of the Senator from Ohio would have been permitted until January 1, 1944, would not be permitted at all under the amendment offered by the Senator from Connecticut; is that correct?

Mr. DANAHER. At least so far as the Commodity Credit Corporation's account is concerned.

Mr. TAFT. Mr. President, will the Senator yield for a moment?

Mr. DANAHER. I yield.

Mr. TAFT. As a practical matter, of course, there are no roll-back Commodity Credit Corporation subsidies, and there is no intention on the part of the Commodity Credit Corporation to use any.

The trouble with the amendment is it looks as if it is calling for the roll-back subsidies on coffee, meat, and butter, whereas the Commodity Credit Corporation has nothing to do with the roll-back subsidies on meat and butter. Those subsidies are entirely Reconstruction Finance Corporation subsidies. So the amendment purports, by limiting the Commodity Credit Corporation, to do something it cannot do.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. DANAHER. I yield.

Mr. TYDINGS. I take it that it is the purpose of the Senator from Connecticut to eliminate the roll-back subsidy under the R. F. C., as referred to by the Senator from Ohio.

Mr. DANAHER. If the Senator from Maryland wants my genuine, sincere, right-down-to-rock-bottom answer on that question, I will say to him that what I really want to do is to get the question before the Senate and let the Senate consider the effect of all that language in the light of the comment of the Senator from Ohio, the views expressed by the Senator from Maryland, and the observations of the Senator from Wisconsin, in which I certainly concur.

Mr. TYDINGS. Mr. President, will the Senator yield for one more question?

Mr. DANAHER. I yield.

Mr. TYDINGS. I should say that while many of us are very anxious to maintain the Commodity Credit Corporation, we are also anxious to get the amendment dealing with roll-back subsidies in such shape that there cannot be any question about where we stand on it.

Mr. DANAHER. That is correct.

Mr. TYDINGS. Under these varying propositions, I have not yet had a chance to vote clearly and exactly the way I want to vote. On every vote yet had, I have had to compromise with what I want to do.

Mr. DANAHER. I thank the Senator from Maryland.

I yield now to the Senator from Minnesota.

Mr. SHIPSTEAD. Does the Senator think that, as the joint resolution now stands, the Commodity Credit Corporation can handle any of the subsidies to which the Senate apparently objects?

Mr. DANAHER. Yes; I think so.

Mr. SHIPSTEAD. The Senator thinks they can; does he?

Mr. DANAHER. I think they can.

Mr. O'MAHONEY. Mr. President, I call for order. It is actually impossible to hear the private conversation being held on the other side of the Chamber.

Mr. DANAHER. Mr. President, let me ask the Senator from Wyoming if up to now he has had any difficulty hearing me?

Mr. O'MAHONEY. For the last 5 minutes it has been impossible to find out what has been going on between the Senator from Connecticut, the Senator from Minnesota, and the Senator from Kansas, who have been conducting a private conversation in the midst of a great deal of disorder, let me say.

Mr. DANAHER. Some Senators were speaking so loud that I could not even

hear the Senator from Minnesota. However, I still thought the Senator from Wyoming could hear me.

I now yield to the Senator from Minnesota and ask him to restate his question. I ask for the attention of the Senator from Wyoming, if he will cease his conversation. [Laughter.]

The VICE PRESIDENT. The time of the Senator from Connecticut has expired.

Mr. SHIPSTEAD. Mr. President, prior to making the motion for reconsideration I stated that I desired to eliminate what many Senators considered to be objectionable subsidies. I stated at that time that I wished to save the Commodity Credit Corporation. When the last vote was taken there was a great deal of confusion in the Senate. Several Senators were talking to me, and I voted under a misapprehension, as I understand other Senators did.

The Senator from Connecticut referred to some bill and compared it with the joint resolution, if the joint resolution should remain as it is now, after the elimination of the so-called Taft amendment. In the opinion of the Senator, in view of what he stated about the bill to which he referred—I do not remember the number of the bill—is there anything objectionable in the joint resolution as it now stands?

Mr. DANAHER. When the Senator from Minnesota earlier asked me the same question, I admit that there was some confusion in the Senate generally, and in my mind as well. As the Senator now puts the question, it is perfectly apparent that he is assuming that House Joint Resolution 147 is before the Senate. Actually it is not.

Mr. SHIPSTEAD. The Senator has talked about some bill, and he seemed to think it was important. Therefore I asked him the question.

Mr. DANAHER. I was talking about Senate bill 1108, which is the bill which was originally referred to the Committee on Banking and Currency to continue the life of the Commodity Credit Corporation. Answering the Senator's question, if we assume that House Joint Resolution 147 is before the Senate, or if Senate bill 1108 should pass, then I will say to the Senator that without the Taft amendment there would be no limitation whatever on the Commodity Credit Corporation, in my opinion.

Mr. SHIPSTEAD. Let me ask the Senator about House Joint Resolution 147 as it now stands. Has he any objection to it? Can he find any fault with it?

Mr. DANAHER. Yes. I do not want to see the borrowing power of the Commodity Credit Corporation increased by \$350,000,000 without any limitation whatever on the type of subsidy use which may be made of that fund. It seems to me that it ought to be used for production subsidies, in accordance with the general purposes of the Commodity Credit Corporation. That is why we have continued the life of that Corporation three times.

Mr. SHIPSTEAD. The Senator evidently thinks there should be an amendment?

Mr. DANAHER. I do.



Mr. SHIPSTEAD. Will the Senator offer such an amendment on the floor of the Senate?

Mr. DANAHER. I will if the motion to reconsider is agreed to, and if the vote by which the joint resolution was ordered to a third reading is reconsidered. Then the bill will be before us for amendment.

Mr. REED. Mr. President, will the Senator yield?

Mr. SHIPSTEAD. I yield.

Mr. REED. Let me say to the Senator from Wyoming [Mr. O'MAHONEY] that nothing passed between the Senator from Connecticut and the Senator from Kansas except an undertone suggestion that there was a misunderstanding between the Senator from Connecticut and the Senator from Minnesota. That was all. Further than that, the Senator from Kansas said nothing.

If the Senator from Minnesota will yield to me, I agree that we should straighten out this situation. I have no desire to see the Commodity Credit Corporation put out of business. I am unqualifiedly opposed to the misuse of public funds for subsidy purposes, as they have been used.

I have examined the amendment suggested by the Senator from Connecticut, which is section 5 of Senate bill 1108. I think it would serve the purpose. I am definitely and strongly urging the Senate to give this matter further consideration and take time to give it reasonable consideration. For that purpose I assume that the motion of the Senator from Ohio [Mr. TAFT] will have to be agreed to, that we reconsider the vote by which House Joint Resolution 147 was rejected.

I believe that the language of the House is all right as far as it goes; but I think that section 5 of Senate bill 1108, which was read by the Senator from Connecticut, should be added, because it definitely forbids the use of Commodity Credit Corporation funds for roll-back subsidies.

Mr. SHIPSTEAD. Mr. President, I hope that the motion to reconsider will be agreed to.

Mr. BARKLEY. Mr. President, I think it is fair to say that the Senate has done what it did not intend to do. It has completely stricken down the Commodity Credit Corporation. If the situation remains as it is, with the joint resolution defeated, the Commodity Credit Corporation will be out of business. In order to do anything at all about it, we must reconsider the vote by which the joint resolution was defeated. That will reopen the measure for further amendment, provided the vote by which the joint resolution was ordered to a third reading is also reconsidered.

I am not certain whether we can work out on the floor of the Senate what the Senate really wishes to do, or whether it would be wiser to refer the joint resolution to the committee.

Section 5 was eliminated from the joint resolution before we finally voted on it. That left the joint resolution as it passed the House, except that we eliminated one section of the House language and put in section 6, which really has nothing to do with subsidies but refers to grade

labeling and one or two other matters which probably are desirable, regardless of the subsidy. So I hope, in order that the Senate may function in regard to this subject, it may be given an opportunity to express its viewpoint. Let me say, frankly, that I seriously doubt whether any resolution for a recess will be presented to this body until there has been legislation, or at least until the Senate has declared its viewpoint with respect to the continuation of the Commodity Credit Corporation. I do not think a recess ought to be taken until the Senate has had an opportunity to do so. If, after deliberation, the Senate wishes to eliminate the Commodity Credit Corporation permanently, it has the right to do so. If any controversial amendments are put into the joint resolution as it passed the House, it will be necessary for it to go to conference.

I think I am justified in taking it for granted that this body does not desire, in this confusion, to bring further chaos into the agricultural and economic situation by striking down the Commodity Credit Corporation. So let us reconsider not only the vote by which the joint resolution was defeated, but also the vote by which the joint resolution was ordered to a third reading, and work out something which will be sensible. It would be incredible, unthinkable, and to the discredit of the Senate if we should permit ourselves to take a summer recess in the chaotic situation in which the last vote has resulted.

Mr. REED. Mr. President, I entirely agree with the Senator from Kentucky, as I have frequently done in the past. I am opposed to trying to write an important bill on the floor of the Senate. It cannot safely be done. I think we ought to proceed carefully and intelligently. My opinion is that we ought to reconsider the vote by which the joint resolution was rejected, and also the vote by which it was ordered to a third reading, so that the joint resolution may go back to the Committee on Banking and Currency tonight and be reported to the Senate tomorrow. In the meantime every Senator can inform himself as to the condition of the joint resolution at this time, and as to the amendment which the Senator from Connecticut will offer in the committee.

Mr. BARKLEY. Mr. President, personally I am not concerned with whether we try to write a measure on the floor of the Senate or send the joint resolution back to the committee. We might save time by letting it go back to the committee tonight, and letting the committee mull over it further. In view of the changed situation, I think we ought to confer with those who are to administer the law. I hope we can have a vote on the motion to reconsider, and that the motion will be agreed to.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. AIKEN. I do not see why the joint resolution cannot be taken care of within the next few minutes. The Commodity Credit Corporation is a useful agency of the Government. We all agree upon that. I think most of us were surprised

a few minutes ago when it was voted out of existence.

Mr. BARKLEY. Yes.

Mr. AIKEN. However, the Senate has time and again made plain that it does not want roll-back subsidies.

Mr. BARKLEY. I do not think any Senator was more surprised than those who voted to strike it down. I do not think they really intended to do so.

Mr. AIKEN. I myself was surprised. Once more I take opportunity to express my opposition to roll-back subsidies. It would be perfectly agreeable to me if the continuing resolution were passed, giving the Commodity Credit Corporation the borrowing power it needs for its ordinary crop incentive program. I do not know whether the amount is \$175,000,000, or what it is.

It does not seem to me that it is necessary again to send the joint resolution to the committee. I am sure that Members of the Senate do not want to kill the Commodity Credit Corporation. Why can we not act now and have it over with?

Mr. BARKLEY. I am proceeding on that assumption; but before we can touch the matter at all we must reconsider the vote by which the joint resolution was defeated.

Mr. AIKEN. That is correct.

Mr. BARKLEY. Then we must reconsider the vote by which the joint resolution was ordered to a third reading so that it may be properly before the Senate for amendment. Personally I do not see any necessity of sending it back to the committee if we can agree on what we ought to do. Time is of some importance.

Mr. President, I wonder if there would be an objection to a unanimous consent request that the vote by which the joint resolution was defeated be reconsidered.

Mr. WHEELER. Mr. President, reserving the right to object, I shall not object to the unanimous consent request of the Senator from Kentucky, but I think there should be a quorum call, because some Senators who might desire to object have stepped out of the chamber.

Mr. BARKLEY. I am perfectly willing to have a quorum call. If we could vote on the motion now I am sure we could make some progress.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Ohio [Mr. TAFT] to reconsider the vote by which the joint resolution was rejected.

The motion was agreed to.

Mr. BARKLEY. Mr. President, I ask unanimous consent that the vote by which the joint resolution was ordered to a third reading be reconsidered, so that the joint resolution will be back to the amendment stage.

The VICE PRESIDENT. Is there objection to the request of the Senator from Kentucky? The Chair hears none, and it is so ordered.

Mr. O'MAHONEY. Mr. President, I desire to invite the attention of Senators who have discussed the roll-back, and who have expressed their desires that the roll-back upon the producer be prohibited, to the fact that an amendment which was offered by the Senator from Nebraska [Mr. BUTLER] and myself, do-



ing precisely that, was adopted as a perfecting amendment to section 5 of the joint resolution as reported by the Committee on Banking and Currency. Inasmuch as the joint resolution is now again before the Senate, if it is not re-committed—and I think it should be re-committed so that the Committee on Banking and Currency may work the matter out—I shall take an opportunity to present such amendment again.

Mr. TYDINGS. Mr. President, in order to bring the matter to a head, I wish to make a motion. If the motion leads to extended debate I shall withdraw it. I think we have proceeded far enough to know that it is very difficult to get the proposal before the Senate in legal and considered form, as a majority of Senators apparently want it, so that we can vote on the clear-cut issue of continuing the Commodity Credit Corporation on the one hand and limiting or prohibiting roll-back subsidies on the other. Therefore I move that the joint resolution be re-committed to the Committee on Banking and Currency, with instructions to the committee to report the joint resolution back to the Senate not later than 12 o'clock tomorrow, with a provision in it for the continuance of the Commodity Credit Corporation and a clean-cut prohibition against roll-back subsidies.

Mr. DANAHER. Mr. President, I respectfully ask the Senator from Maryland to waive the status of the motion which he has made to the end that I may offer an amendment and allow it to become the pending question. I am sure it would go a long way toward reaching the objective of the Senator from Maryland. Then whatever action the Senate may decide to take on the Senator's motion, at least we shall have some language before us for consideration.

Mr. TYDINGS. Mr. President, I shall be very glad to withdraw my motion if there is a concrete proposal upon which we can vote which approaches what we are attempting to do. I do not wish to vote on any more proposals which fail to give us the opportunity to register what we wish to register, no matter which way we may vote.

Mr. DANAHER. Mr. President, I offer an amendment which I send to the desk and ask to have stated.

Mr. TYDINGS. Mr. President, I withdraw my motion.

The VICE PRESIDENT. The amendment offered by the Senator from Connecticut will be stated.

The CHIEF CLERK. At the proper place in the bill, it is proposed to insert the following:

Whenever a maximum price or prices shall have been established for any agricultural commodity or any commodity processed or manufactured in whole or substantial part from any agricultural commodity, including livestock, under authority of the Emergency Price Control Act of 1942 or of the act entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes," approved October 2, 1942, no subsidy or other payments shall be made either directly or indirectly to a producer, processor, manufacturer, or any other person engaged in the production, marketing, distribution, or handling of any such commodity for the purpose of compensating

any such producer, processor, manufacturer, or other person in whole or in part for any reduction or roll-back of maximum prices so established as may have been or may hereafter be ordered, from any funds heretofore or hereafter appropriated to the Commodity Credit Corporation unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purpose. The definition of the term "person" in section 302 (h) of the Emergency Price Control Act of 1942, shall apply to the term "person" as used herein.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Connecticut [Mr. DANAHER].

Mr. BARKLEY. Mr. President, how far would this amendment get us away from the bill which was vetoed a few days ago?

Mr. DANAHER. Mr. President, it seems to me that whether the R. F. C. account is adequate for legal roll-back, or any other subsidy purposes, is beside the point. We do not touch it. This amendment would not impinge upon the R. F. C.'s status in any respect whatsoever. It says that we want the Commodity Credit Corporation kept alive. We are willing to increase its authorized borrowing power by \$350,000,000, but we do not want one cent of the Commodity Credit Corporation money used for any other kind of subsidy than the ones already provided for in the statute.

Mr. BARKLEY. Mr. President, let me ask a further question. The joint resolution as it now stands contains the original House language, except that we have stricken out one paragraph with regard to the bank officers. There is no controversy about that provision. We have left in section 6, which has no relationship to subsidies.

Mr. DANAHER. The Senator is correct.

Mr. BARKLEY. So there is no real controversy on that score. In substance, the Senator's language would take the place of section 5, which the Senate has eliminated. While the Senator has probably not offered it at that place, the effect of it would be to take the place of what the Senate rejected in section 5.

Mr. DANAHER. That is correct.

Mr. TAFT. Mr. President, I believe that the amendment offered by the Senator from Connecticut is more or less harmless if we wish so to regard it, but, of course, the Commodity Credit Corporation is not engaging in any roll-back subsidies and has no plans to do so. It is interested in production, and presumably it never will engage in roll-back subsidies. If the President wishes to put any roll-back program into effect all he needs to do is to do it through the Reconstruction Finance Corporation, because the proposed amendment would limit only the Commodity Credit Corporation. It would in no way limit the Reconstruction Finance Corporation. So, while I must say that there is no particular harm in it, I do not believe it would do any good. Also, it has another defect which I think could be remedied. It would forbid subsidies, but it would not forbid the Commodity Credit Corporation to buy butter, for example, at one price and sell it at a loss, which in

effect would be carrying out a roll-back subsidy. That language might be adjusted, but after you get through, where are you? It is proposed to say to the Commodity Credit Corporation, which is not the instrument through which the President is carrying out roll-back subsidies, or is proposing to carry out roll-back subsidies, that it shall not carry out any roll-back subsidy.

The amendment would do no great harm if the Senate should adopt it. It would not be cause for a veto because it would not limit the President's power in any way. But I do not see any great advantage in it. If the Senate wishes simply to take another shot at roll-back subsidies, express its opinion, place the provision in the joint resolution and pass it, that will be one way to deal with the situation, but it ought not to do so under any misapprehension that we are prohibiting roll-back subsidies.

As for the suggestion of the Senator from Maryland, it seems to me we have had a clear vote indicating that the Senate is opposed to allowing subsidies if they have to vote on the question of subsidies at all. That is apparently clear, and I do not know what amendment the committee could bring in which would be approved on that subject. The committee has worked on a large number of amendments; it has tried to present a solution. The Senator wants a proposal that absolutely outlaws all roll-back subsidies. We considered such a measure, and the Congress passed it, but the President vetoed it and the veto was upheld by the House of Representatives. So there is no use voting on that again.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Maryland.

Mr. TYDINGS. I do not agree with the Senator. I feel that the President was within his rights in vetoing the bill, and it is evident that Congress, in one House at least, at that time did not want to pass the bill over his veto. But I do not believe because the President vetoed it, it is necessarily right. What I am interested in doing is keeping my position in line with what I think is my responsibility to the country in time of war.

Mr. TAFT. I understand that; the Senator's vote today showed what his position is; but now we have confronted the question whether we shall continue the Commodity Credit Corporation or shall not continue it. That seems to be the only question before the Senate. I do not see any other substantive proposal that will affect the question of subsidies, one way or the other, and it seems to me we ought to vote tonight. If the Senate wishes to vote on the amendment of the Senator from Connecticut, I do not think it will do any harm, and neither do I think it will do any good.

Mr. O'MAHONEY. Mr. President, the amendment which has been offered by the Senator from Connecticut, as I read it, will have the effect of killing the programs which the Commodity Credit Corporation has adopted long since with respect to many agricultural commodities



and which it has pursued without objection upon the part of anyone in the Senate or the House of Representatives.

The agricultural industry has not complained about the subsidy programs with respect to fats and oils; it has not complained, at least, to the extent of demanding the cessation of the programs which have been carried out with respect to sugar and other commodities. The amendment offered by the Senator from Connecticut will, therefore, if adopted, bring about the cessation of certain programs which are definitely in the interest of producing more food.

The practical matter, Mr. President, which confronts us is whether or not we intend by our action in the Senate to kill the whole agricultural program of the Commodity Credit Corporation because we want to kill the roll-backs which were initiated by the Reconstruction Finance Corporation. What good would it do to kill the programs of the Commodity Credit Corporation when the complaint we make is against a program which was announced by the R. F. C. under the Price Control Act?

Mr. TAFT. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. TAFT. I think the Senator has not read the amendment offered by the Senator from Connecticut. It only prohibits subsidies paid in whole or in part for any reduction or roll-back of maximum prices. There are no Commodity Credit Corporation programs which involve any reduction or roll-back of maximum prices. So I think the Senator is mistaken when he thinks the amendment will invalidate any existing program.

Mr. O'MAHONEY. Then, this amendment is not the one which the Senator from Connecticut read originally. This is not the amendment which was reported by the Banking and Currency Committee, is it?

Mr. DANAHER. Mr. President, will the Senator yield?

Mr. O'MAHONEY. Certainly.

Mr. DANAHER. There have been several copies of the joint resolution. The one from which this language was taken is the committee amendment appearing in the measure reported June 4, 1943.

Mr. President, will the Senator from Wyoming yield to me for a moment further?

Mr. O'MAHONEY. It is difficult for me to hear the Senator, but I shall be glad to yield.

Mr. DANAHER. I want to point out to the Senator when we started on this particular debate 40 minutes or so ago that the Commodity Credit Corporation was dead. Now we have the Corporation back to life; now we have a measure on which we can operate. I am not wedded to the words which the Senator criticizes. I am not saying that the Senator cannot offer an amendment to include all agencies if he wishes to do so; and I am not saying he cannot by a stroke of the pen make roll-backs or any other type of subsidies come within the language which has been offered. It lies within his power and province so to do. What I was anxious to do was to get the question before the Senate again in legislative

form upon which we could act and thanks to the motion of the Senator from Ohio to reconsider that is what has happened. At least, we are this much further along.

Mr. O'MAHONEY. I think the Senator from Connecticut has performed a distinct service in bringing the matter to this situation, but I have just had the opportunity of reading the Senator's amendment, and I confess it is not exactly what I understood it to be as I heard him read it.

I was about to propose as a substitute for the Senator's amendment the language which the Senator from Nebraska [Mr. BUTLER] and I proposed yesterday, which was adopted by the Senate and which I believe would effectively put an end to the so-called roll-back upon the producer.

Mr. President, my feeling is that this matter is one of such complexity that it should be returned to the committee.

Mr. SHIPSTEAD. Mr. President—

Mr. O'MAHONEY. If the Senator from Minnesota will bear with me for a moment, let me say that it is obviously impossible to legislate upon the floor of the Senate in the manner in which we desire to legislate. This is a matter of such great complication that it should be given the benefit of renewed consideration by the committee. Therefore, Mr. President, I move that the joint resolution be recommitted to the Committee on Banking and Currency.

Mr. SHIPSTEAD. Mr. President, will the Senator withhold the motion for a moment.

Mr. O'MAHONEY. Very well; I withhold my motion.

Mr. SHIPSTEAD. I believe the sentiment of the Senate on this question is well understood. We want to save the Commodity Credit Corporation; we want to see it continue as it has been authorized in the past to promote the production of certain necessary critical crops. I think the Senate is now in agreement upon that. So I suggest as an amendment to the motion of the Senator from Wyoming that the joint resolution be recommitted to the committee with instructions to carry out what appears to be the will of the Senate this afternoon, so that there will be no controversy tomorrow.

Mr. LA FOLLETTE. Mr. President—

Mr. McKELLAR. I suggest the absence of a quorum.

The VICE PRESIDENT. The Senator from Wyoming has the floor. Does he yield for that purpose?

Mr. O'MAHONEY. I prefer not to yield at the moment. I feel that any instructions from the Senate to the committee should not be given at this time, because this committee knows very well what the mind of the Senate is, and I think it can be trusted to bring in a measure which will present the issues here in a manner which will make a solution of the problem possible. So I should prefer not to offer my motion with any qualifications whatsoever, except one, and that qualification I shall now add, namely, that the committee be instructed to bring in a report at noon tomorrow.

Mr. LA FOLLETTE. Mr. President, I should like to state the situation as I see it, and I want to say, with all due respect to the Senator from Wyoming, and the suggestion made by the Senator from Maryland, that I hope the motion will not prevail.

Let us recapitulate for a moment what has been the tortuous course of the proposed legislation. First of all, a measure was reported from the Committee on Banking and Currency containing the so-called Taft amendment; in any case, the measure was reported from the committee with the amendment offered by the Senator from Connecticut, but the Senator from Ohio, with the authority of the committee, offered an amendment in substance similar to the one voted down by the Senate today. The Senate refused to accept that amendment. It voted first for the amendment offered by the Senator from Missouri [Mr. CLARK], which prohibited all subsidies. Then it voted for the amendment offered by the Senator from Vermont [Mr. ARKEN], prohibiting roll-back subsidies, so-called, but permitting the types of subsidy which were utilized to increase production.

In that form the measure went to the House, and a measure containing the substance of the Senate's position, the Aiken-Gillette amendment, went to the White House. It was vetoed by the President of the United States and returned to the House of Representatives, where those who were in favor of prohibiting roll-back subsidies could not muster a two-thirds vote to pass the measure, the veto of the President to the contrary notwithstanding.

Then and there those in the House of Representatives and in the Senate who desired to prohibit roll-back subsidies lost the battle. The House recognized that, and passed a simple, naked joint resolution to afford additional borrowing power to the Commodity Credit Corporation.

Bear in mind, the Commodity Credit Corporation never has been utilized, and no one has suggested that it would be, to pay any of the roll-back types of subsidy. All that has been done by financing through the Reconstruction Finance Corporation or some of its subsidiaries.

It seems to me, therefore, that it would be futile to send the joint resolution back to the committee. The committee has twice attempted to insert a compromise provision, and the Senate has twice refused to accept it.

The simple way out of this dilemma, and the one which will come as close as possible to getting us out of the legislative and parliamentary mess in which we now find ourselves, is, in my opinion, to vote down the motion of the Senator from Wyoming, and to pass the House joint resolution without amendment.

Under existing circumstances, there is no way within our power to prevent the Executive from utilizing Reconstruction Finance Corporation funds with which to pay roll-back subsidies. If we inserted a prohibition in the pending joint resolution, it goes without saying, it seems to me, that the President would veto it, and I think it will go without saying that a two-thirds vote could not



be mustered in the House of Representatives to pass the measure over his veto. So we would simply march up the hill and march down again.

Since we cannot prohibit roll-back subsidies, it seems to me it would be a tragic mistake to strike down or imperil the type of subsidies we do favor, namely, those provided by the Commodity Credit Corporation, and to strike down that agency itself.

It seems to me, therefore, that in all the circumstances with which we are confronted, the wise, the sound, and the straightforward way out of this situation is to pass the House joint resolution without amendment, and if we wish to renew the fight over the roll-back subsidies when we return after the recess, we will be in a position to do so.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. I yield.

Mr. BARKLEY. The Senator has stated the position I and some other Senators on the Committee on Banking and Currency took, but we were in the minority. I wish to add to that statement the fact that when the House of Representatives saw that situation, regardless of the side they had occupied on the question of subsidies, practically without opposition, practically unanimously, both in the committee and on the floor, they passed this simple joint resolution continuing the life of the Commodity Credit Corporation.

Mr. LA FOLLETTE. I am not in anywise criticizing the committee. On the contrary, I think the committee made a genuine and a sincere effort to find some way out of the situation which would restrict and delimit the amount of money available for roll-back subsidies, but the Senate has refused to accept such a proposal; it has voted it down, and, therefore, it would be futile now, it seems to me, to return the joint resolution to the committee and have it bring back a similar proposal to delimit subsidies of the roll-back type and have the Senate vote it down again tomorrow. Likewise, it would be futile to send the joint resolution back to the committee and have the committee bring back a prohibition against the roll-back type of subsidies from the Reconstruction Finance Corporation, because I assume the President has not changed his position and would veto such a measure.

Now let us get out of this legislative wilderness in which we have been wandering around for the past several days. Let us pass this clean, naked joint resolution, which continues the type of subsidies which most of us, I think, approve, namely, those tending to increase production. I think we can rest assured that there has been no proposal advanced, and that there will be none advanced, to utilize the Commodity Credit Corporation for the roll-back type of subsidy. Then the measure can this afternoon be on its way to the White House.

The VICE PRESIDENT. The question is on the motion of the Senator from Wyoming [Mr. O'MAHONEY].

Mr. McKELLAR. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hayden	Robertson
Barkley	Hill	Russell
Bone	Holman	Scruggs
Bridges	Johnson, Colo.	Shipstead
Brooks	Kilgore	Smith
Buck	La Follette	Stewart
Burton	Langer	Taft
Butler	Lucas	Thomas, Okla.
Capper	McCarran	Thomas, Utah
Caraway	McClellan	Tunnell
Chavez	McFarland	Tydings
Clark, Mo.	McKellar	Vandenberg
Connally	Maloney	Van Nuys
Danaher	Maybank	Wagner
Davis	Millikin	Wallgren
Downey	Murdock	Walsh
Ellender	Nye	Wheeler
Ferguson	O'Daniel	Wherry
George	O'Mahoney	White
Gerry	Radcliffe	Wiley
Guffey	Reed	Willis
Gurney	Revercomb	
Hawkes	Reynolds	

The VICE PRESIDENT. Sixty-seven Senators have answered to their names. A quorum is present.

Mr. LUCAS. Mr. President, I shall not detain the Senate long, but I wish to take this opportunity to concur in the remarks made by the senior Senator from Wisconsin [Mr. LA FOLLETTE] with respect to the joint resolution. I have said nothing in connection with this measure, but have listened rather carefully throughout the debate upon it. As the senior Senator from Ohio [Mr. TAFT] has so well said, when the Senate struck down section 5, with all the amendments therein, which had placed limitations on the spending power of the Reconstruction Finance Corporation, it did what the majority of the Senate wanted done with respect to the program of roll-backs.

There is nothing in the Commodity Credit Corporation, insofar as its activities are concerned, which deals with the roll-backs in the prices of meats and other commodities the Senate has been discussing for the last 2 or 3 days. So, in my opinion, there is nothing to be gained by sending the measure back to the committee. The committee can report nothing that will be of advantage to the Senate and the country, because regardless of what the committee reports, as has been said time and time again, if the committee reports an amendment which provides that no roll-backs can be made by the Commodity Credit Corporation, it reports something which faces a veto by the President of the United States. It seems to me the only one thing we can do under the circumstances, if we want to save the Commodity Credit Corporation, is to pass the measure sent to us by the House, and send it on to the other end of the Avenue for the signature of the President of the United States.

Mr. President, I am happy that the Senate reconsidered the vote by which it had previously killed the Commodity Credit Corporation. A great number of Senators who voted to kill the Corporation obviously regretted that they had voted in that way, because the Corporation is one of the most important instrumentalities of Government that exists

at this moment. Had the motion made by the Senator from Tennessee been sustained, and the motion to reconsider tabled, and were the Senate to take a recess and Senators leave Washington after having stricken down the Commodity Credit Corporation, I undertake to say that we would be back here in less than 10 days' time, and not upon the call of the President either, because the country would understand what the Senate did in striking down a constructive agency such as the Commodity Credit Corporation.

Mr. President, all we can do at this moment is to adopt the language of the House, and clean up this mess as soon as possible. In my judgment we can gain nothing by sending the measure back to the committee.

Mr. TYDINGS. Mr. President, there is much to commend in the suggestion made by the senior Senator from Wisconsin [Mr. LA FOLLETTE], because it will at least give to all parties, those who favor and those who do not favor the roll-back subsidy, an opportunity to vote without a compromising of the basic principle. Even though the hour is late, and I know Senators are tired of considering various proposals, I shall attempt to make one more effort to place on record those who wish to be against roll-back subsidies.

Whether or not the President vetoes the measure is not my concern. It is not the concern of any Member of this body. I myself should like to see the President sign a measure outlawing roll-back subsidies if for no other reason than that I believe that the welfare of the country in no small part depends upon the Congress staying out of a consumers' subsidy program. I do not care how plausible the argument may be, I do not care how hedged about and limited is the program, the door is open, and any man who knows the human side of political institutions knows that we cannot open such a door as that and close it easily, particularly when Congress is in session, and in view of the high state of organization which exists in the respective groups in the country at the present time.

If the Senate adopts the proposal which I shall read shortly, and if the House concurs in it, and the President vetoes it—I should hate to see it vetoed—but my satisfaction would be that I had voted for what I believed was for the best interests of the country. If the President then vetoes it he will have been willing to sacrifice the Commodity Credit Corporation in order to get subsidies of the roll-back character, and I have a feeling that if we are in recess he might consider that as between the two he would rather have the Commodity Credit Corporation even with the roll-back limitation placed upon it.

I was much impressed by what the Senator from Arkansas [Mr. McCLELLAN] said earlier today. Where is the money coming from to pay these roll-back subsidies? These are not peacetimes. The national debt will amount to \$300,000,000,000. We are in the middle of the war, with the highest industrial and agri-



cultural income in the history of the Republic. What do we propose to do? We propose not to fix prices in fairness to wages, but to fix prices unfairly in reference to wages—that is the only way they can be fixed higher than the just relationship—and then disguise the benefit for the inequality we have endorsed through the medium of taking out of the left-hand pocket what we have openly put into the right-hand pocket of every taxpayer of the country.

I wish to read three or four observations made when Mr. Brown was before the Committee on Appropriations.

Senator TYDINGS. Suppose, just for the sake of theory and exploration, that all subsidies are denied you for meats. You would still have authority to fix the prices of meat at the source, would you not?

Mr. BROWN. Oh, yes.

#### SUBSIDY WOULD NOT ALTER BASIC SET-UP

Senator TYDINGS. So, the subsidy makes it perhaps easier for you to accomplish this, but it does not alter the basic set-up at all?

Mr. BROWN. No; it does not. The question that was presented to us on the subsidy issue was this. On both beef and pork we can roll back at the livestock level, because they are both above parity.

Senator TYDINGS. Would you supply for the record at this point in your testimony what is parity?

Mr. BROWN. Yes.

Mr. Brown then placed in the record the parity price on meat and the market price of meat as of May 15, 1943, as shown on page 86 of the Senate appropriation hearings.

I continue to read:

Mr. BROWN. That could be done. There is a general feeling, as I think Senator HAYDEN perhaps knows better than anyone else here, that beef is unfairly controlled by the parity concept.

Senator HAYDEN. There is no question about that.

Mr. BROWN. That has been drummed into me for many years. With that in mind, we seriously hesitated and have not rolled back the price of beef at the present level. That was one of the principal factors in it.

Second, the Government has supported a price of \$13.75 on hogs. It would be pretty difficult—I do not know just what the moral situation or the good faith situation is—it would be pretty difficult for me to assent to a proposition of that kind—rolling back below that figure—although the corn-hog ratio, that the corn farmers talk about, would indicate that hogs should be considerably below that figure.

Continuing, he said:

We were faced with the proposition, assuming that we had adhered to the President's "hold the line" order, to get back to September 1942, levels, whether we would roll back price levels on those important meat commodities, or perhaps just to ask for a subsidy.

There is the milk in the coconut.

Continuing for one more paragraph, he said:

Senator TAFT and I disagree about this. We perhaps had more to do with writing the price control bill than any other Senators. He felt that the only kind of subsidy that was justified under the law was a straight payment to the purchaser. I reasoned that exactly the same result comes; that is, encouragement of production, in this present situation. If I am faced with the task of choosing between those limitations and the limitations of the McKellar amendment, rel-

ative to the fair and equitable margins and the September 15, 1942, price levels, then I am faced with the proposition that I must either roll back on the meat price at the livestock level or must subsidize. I, under those circumstances, chose a production subsidy. The Attorney General agrees with that view of the situation: That is the thing that was presented to us.

Mr. President, what did the Senate do?

The Senate passed a bill in which it fixed the date of September 15, 1942, as the date on which to freeze wages, and to freeze below a certain level the prices of agricultural commodities and all other prices. That is what the Senate did. The Price Administrator says, "I have the authority to do that." He says that in the case of beef cattle he believes the price level is too low; and from looking at his figures, I think it is. However, the Congress recently allowed the door to be opened in the case of wages, in the effort to bring wages of certain groups up to what was called the Little Steel formula, so as to provide what amounted to a 15-percent increase; and the Congress allowed food prices to be brought up to a certain level, so that neither one will stick its head above that.

By the pending measure, is it proposed that the Senate shall hold the line? No. What is proposed is to have the Senate vote to stick one part of the economic equation above the line, and then disguise it behind a subsidy.

I will not take the responsibility for breaking the line; because, mark you well, Mr. President, before the sun shines next summer, just as certainly as I stand on this floor, if you go to bed with the subsidy issue, you are going to have a shotgun wedding, and stay to bed with it, long after this war is over.

Mr. MALONEY. Mr. President, from what the Senator has said, I assume he would permit price increases in certain instances, would he?

Mr. TYDINGS. I would.

Mr. MALONEY. That would break the line.

Mr. TYDINGS. No; it would not. I would permit them, just as I would permit labor increases wherever a case of unjustifiable hardship could be shown; and if any labor group in the country can show that it is away below the fair line of economic stability, in line with this equation, the Government has already gone on record as in favor of giving them a 15 percent or smaller increase, wherever they can maintain that position.

My point is that Congress should either write the formula over again or should stick by it.

What the Congress would be doing by the pending measure would be to get away over the formula.

Not long ago I was reading something about the history of ancient Rome. I remember that with a sparsely settled population, 360,000 families were subsisting entirely upon the government, through the corn-subsidy equation. Congress is starting out in that way.

Here is another reason why Congress should write the limitation into the measure: The President has said the money in circulation is more than

enough to purchase all available goods, and that, therefore, it is necessary to siphon off a great deal of that money so as to bring available purchasing power in line with the amount of articles available for purchase, and thereby not have people bidding against each other and thus helping to drive prices through the ceiling.

However, what is proposed in the case of the pending measure? To the extent that the Congress authorizes subsidies, it puts that much more money in circulation; that is all. Congress would take the amount out of the Public Treasury and give it to someone—to a producer or a processor or a distributor. Congress would give it to him. To that extent there would be that much more money in circulation than there was. Such a move is purely inflationary.

What I am interested in—and I believe many other Senators share my view—is to have a chance to vote on a proposition of forbidding all roll-back subsidies.

Mr. TAFT. Mr. President, I do not understand. How many times does the Senator want to vote on that subject? He has already voted on it twice. Is not that enough? What is the use of having Congress do over again exactly what it has done, and having the measure vetoed, just as the other bill was vetoed? Why not forget it? The Senator is on record. I cannot see the object in passing again the substance of a bill which has been vetoed on that very ground.

I agree with the Senator; I am 100 percent against roll-back subsidies. However, as a matter of fact, my opinion is that, regardless of what the Congress does, the administration will never again try to put on a roll-back subsidy. As a matter of fact, ordinary subsidies to keep prices down are exactly the same in principle as roll-back subsidies, but are infinitely easier to put into operation, and are much less likely to arouse resentment. So I think the administration made a tremendous mistake in using roll-back subsidies, and I do not think it ever will resort to them again.

The real question is the question of having subsidies to keep prices where they are. That is the fundamental question. That has been settled. The Senate has refused to impose on subsidies any prohibition which it would be possible to get the President to approve. So it seems to me we should simply continue the Commodity Credit Corporation and go home. I do not see what other practical alternative there is.

Mr. TYDINGS. Congress passed a bill. The President vetoed it. The Senator advocates that Congress change its mind. I advocate that the President change his mind. [Laughter.] I believe that all the facts in the situation show that it will be wise for him, taking the long-range view, to change his mind. The Congress is the policy-making branch of the Government and has been, up to now. The President is the executive and administrative branch, particularly so in the domestic field. I grant that he has wide powers in the foreign field, and I ask very little question about it. But in the domestic field, the Congress is the



fountainhead and the source and the only place where power can be born.

Mr. WHEELER. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. WHEELER. I call attention to the further fact that when the Congress passed subsection (e) upon which the administration relies for the right to give the subsidies—

Mr. TYDINGS. Of course.

Mr. WHEELER. There was no Member of the Senate who for one second construed the bill as permitting the administration to give subsidies to the processors.

Mr. TYDINGS. The Senator is correct. Let me call the Senator's attention to the fact that Mr. Cox, who at one time was one of the high-ranking officials in the Department of Justice, within the last year or 18 months, in addressing a number of Government attorneys, said that the mission of the Department of Justice was—

The VICE PRESIDENT. The time of the Senator from Maryland has expired.

Mr. TYDINGS. Has my time on the joint resolution expired, Mr. President?

The VICE PRESIDENT. It has.

Mr. TYDINGS. Then I shall move to recommit the joint resolution, and I desire to speak on that motion.

The VICE PRESIDENT. The time of the Senator has expired.

Mr. TYDINGS. Mr. President, is the Senate operating under the 15-minute rule?

The VICE PRESIDENT. It is.

Mr. O'MAHONEY. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. O'MAHONEY. The rule under which the Senate is proceeding reads as follows:

That during the further consideration of House Joint Resolution 147 no Senator shall speak more than once, nor longer than 15 minutes on the House joint resolution, or on any amendment thereto.

The motion before the Senate is the motion to recommit. Does the limitation apply to a motion to recommit, inasmuch as it is neither an amendment to the joint resolution nor the joint resolution itself?

The VICE PRESIDENT. The Senator is technically correct.

Mr. TYDINGS. I appreciate that. I will resume for 15 minutes more—and I hope for only 5.

When the parliamentary question was raised, I was stating that Mr. Cox, a high-ranking official in the Department of Justice, recently in addressing a group of Government attorneys said that the mission of the Department of Justice was not to interpret acts of Congress strictly as they were written, but to find ways and means by which administrative agencies could do things. I think he properly expressed the attitude of the interpreting attorneys under the present dispensation. They do not say, "This seems to restrict us," but "How can we find the means of breaking through this restriction and doing what we want to have done?"

I propose to accept the amendment of the Senator from Connecticut just as he read it, and add the words "or any other Government agency." That would take in the Reconstruction Finance Corporation and every other Government agency which might be thinking of going into the business of roll-back food subsidies. If I have an opportunity to vote for this amendment, I can register my position on it; and if it is defeated and the joint resolution goes through, I can register my position again; but that will be the first time since this matter has been before us latterly that I will have had an opportunity to vote on the straight issue, and to vote the proposal up or down.

In conclusion—and I shall yield the floor shortly—if I thought the remarks of the Senator from Ohio [Mr. TAFT] to the effect that the administration never would go into roll-back food subsidies again, were well-founded, I should be tolerant enough, I hope, to say, "It was a mistake. Everyone recognizes that. We shall emerge from it very gradually, and call it a day. We will have no more of it."

However, the very fact that the President vetoed the bill ought to put Senators on notice as to what lies ahead. I will not assume the responsibility which could very easily flow from the abuse of subsidizing the consumers of America out of the Federal Treasury, in the face of a mounting debt, when we are living in the period of greatest national income this Republic has ever known. It simply does not make sense, and I want no part of it, directly or indirectly.

I have no quarrel with those who disagree. I am interested in maintaining my own position, because I believe that, judged on the basis of any length of time in the future, it will be proved to be eminently and abundantly wise.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Wyoming [Mr. O'MAHONEY] to recommit the joint resolution to the Committee on Banking and Currency with instructions to report it back not later than 12 o'clock noon tomorrow.

Mr. WHEELER. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TUNNELL. Mr. President, I have listened very carefully to the argument of the able Senator from Maryland [Mr. TYDINGS]. This afternoon I heard him complain because there had been too many different things combined, so that he was compelled to vote against something which he wanted in order to vote against something which he did not want. He is trying to put the same proposition up to the Senate now, so that any Senator who wishes to continue the Commodity Credit Corporation must vote against it, or vote for subsidies. So his plan does not work for the rest of us. He is putting before us a double proposition, whereas he is asking for a single one.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Wyoming [Mr. O'MAHONEY] to recommit the joint resolution to the Committee on Banking and Cur-

rency with instructions to report back not later than 12 o'clock noon tomorrow. On this question the yeas and nays have been ordered, and the clerk will call the roll.

Mr. AIKEN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. AIKEN. As I understand, this vote is on the motion of the Senator from Wyoming to recommit the joint resolution to the Committee on Banking and Currency.

The VICE PRESIDENT. With instructions to report back not later than 12 o'clock noon tomorrow.

The clerk will call the roll.

The Legislative Clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I am advised that if he were present and voting he would vote as I am about to vote. I am therefore free to vote. I vote "nay."

Mr. ELLENDER (when his name was called). I have a pair with the junior Senator from Virginia [Mr. BYRD]. I assume that if he were present and voting he would vote "yea." If I were at liberty to vote I should vote "nay."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from New Mexico [Mr. CHAVEZ] is absent on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from New York [Mr. MEAD], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN] are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

The Senator from Utah [Mr. THOMAS] is detained in a committee meeting.

Mr. WHITE. The Senator from New Hampshire [Mr. TOBEY], who is absent on official business, would vote "nay."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business.



as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The result was announced—yeas 8, nays 55, as follows:

## YEAS—8

Caraway	Reed	Van Nuys
McCarran	Revercomb	Wiley
O'Mahoney	Scrugham	

## NAYS—55

Aiken	Hawkes	Reynolds
Barkley	Hayden	Robertson
Bone	Hill	Russell
Bridges	Holman	Shipstead
Brooks	Johnson, Colo.	Smith
Buck	Kilgore	Stewart
Burton	La Follette	Taft
Butler	Langer	Thomas, Okla.
Capper	Lucas	Tunnell
Clark, Mo.	McClellan	Tydings
Connally	McFarland	Vandenberg
Danaher	McKellar	Wagner
Davis	Maloney	Wallgren
Downey	Maybank	Walsh
Ferguson	Millikin	Wheeler
George	Murdock	Wherry
Gerry	Nye	White
Guffey	O'Daniel	
Gurney	Radcliffe	

## NOT VOTING—33

Andrews	Chavez	Mead
Austin	Clark, Idaho	Moore
Bailey	Eastland	Murray
Ball	Ellender	Overton
Bankhead	Gillette	Pepper
Barbour	Glass	Thomas, Idaho
Bilbo	Green	Thomas, Utah
Brewster	Hatch	Tobey
Bushfield	Johnson, Calif.	Truman
Byrd	Lodge	Willis
Chandler	McNary	Wilson

So Mr. O'MAHONEY's motion to recommend was rejected.

The VICE PRESIDENT. The question now recurs on the amendment offered by the Senator from Connecticut [Mr. DANAHER].

Mr. TYDINGS. Mr. President, I offer a perfecting amendment to the amendment of the Senator from Connecticut. On page 6 of his amendment, in line 8, after the word "Corporation", I propose to insert "or from any funds authorized to be borrowed by such Corporation, or any other governmental agency, including Government-owned corporations."

In a word, this would take in all agencies which might indulge in roll-back subsidies, and I ask the Senator from Connecticut if he will not allow his amendment to be modified in the form I have suggested.

Mr. REED. Mr. President, will the Senator yield?

Mr. TYDINGS. I yield.

Mr. REED. Will the Senator be good enough to read very slowly the language which he has suggested so that it can be copied?

Mr. TYDINGS. On page 6, line 8, after the word "Corporation", I propose to insert "or from any funds authorized to be borrowed by such Corporation or any other governmental agency, including Government-owned corporations."

If the Senator will accept the amendment and if it shall be submitted to the Senate we will get a close-cut vote on the issue. If the proposal shall be lost, I am perfectly willing to go along with the philosophy of the Senator from Wisconsin.

Mr. DANAHER. That would certainly raise the issue.

The VICE PRESIDENT. Does the Senator from Connecticut agree to the modification of his amendment as proposed by the Senator from Maryland?

Mr. DANAHER. I do.

Mr. TAFT. While I am not in favor of subsidy roll-backs, it seems to me it would be useless again to vote on a provision which the President has already vetoed and would undoubtedly veto again.

Mr. MALONEY and several other Senators asked for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Of course, we are planning to recess. I should like a recess and I think the Senate as a whole would like to recess this week. But if there should be a veto of the pending measure it would kill the Commodity Credit Corporation. It seems to me it would be unwise to pass a measure which would have that result. If the theory is that the amendment is merely to go to conference, it would place the Senate conferees in the really unfortunate position of having to recede, because there certainly is no argument for the House to pass the joint resolution over again and have it again vetoed. While I intend to vote for the amendment, I wish to make it clear that so far as I am concerned, I am opposed to roll-back subsidies, and I believe they should be prohibited.

Mr. BARKLEY. Mr. President, I do not desire to debate the amendment. I am perfectly willing to have a vote taken upon it now. But it seems to me that there is an overwhelming sentiment in the Senate in favor of voting on the House joint resolution as it came over, without complications. If the pending amendment is defeated, I intend to seek reconsideration of the votes by which amendments to the joint resolution have already been agreed to, so the Senate may express itself on the simple question of adopting the joint resolution as it was passed by the House.

The VICE PRESIDENT. The question is on the amendment of the Senator from Connecticut as modified by the amendment of the Senator from Maryland.

The yeas and nays have been ordered. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. ELLENDER (when his name was called). On this vote I have a pair with the junior Senator from Virginia [Mr. BYRD]. If present, the Senator from Virginia would vote "nay." If I were at liberty to vote I should vote "yea."

The roll call was concluded.

Mr. DAVIS (after having voted in the negative). I understand that the Senator from Kentucky [Mr. CHANDLER], with whom I have a general pair, if present, would vote as I have voted. Therefore, I permit my vote to stand.

Mr. BRIDGES (after having voted in the affirmative). I transfer my general pair with the Senator from Utah [Mr. THOMAS] to the Senator from Vermont [Mr. AUSTIN] and allow my vote to stand.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Utah [Mr. THOMAS] is absent on official business.

The Senators from Florida [Mr. ANDREWS and Mr. PEPPER], the Senator from Alabama [Mr. BANKHEAD], the Senator from Virginia [Mr. BYRD], the Senator from Mississippi [Mr. EASTLAND], the Senator from Iowa [Mr. GILLETTE], the Senator from New Mexico [Mr. HATCH], the Senator from New York [Mr. MEAD], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], and the Senator from Missouri [Mr. TRUMAN], are necessarily absent.

The Senator from North Carolina [Mr. BAILEY], the Senator from Mississippi [Mr. BILBO], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], and the Senator from Rhode Island [Mr. GREEN] are detained on important public business.

Mr. WHITE. The Senator from Vermont [Mr. AUSTIN] and the Senator from New Jersey [Mr. BARBOUR] would vote "yea."

The Senator from Massachusetts [Mr. LODGE] would vote "nay."

The Senator from Oregon [Mr. McNARY] has a general pair with the Senator from Alabama [Mr. BANKHEAD].

The Senator from Vermont [Mr. AUSTIN], the Senator from Minnesota [Mr. BALL], the Senator from New Jersey [Mr. BARBOUR], the Senator from Maine [Mr. BREWSTER], the Senator from Massachusetts [Mr. LODGE], the Senator from Oregon [Mr. McNARY], the Senator from Idaho [Mr. THOMAS], and the Senator from Iowa [Mr. WILSON] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] is absent on official business as a member of the Indian Affairs Committee.

The Senator from California [Mr. JOHNSON] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] has been called away on official business.

The result was announced—yeas 36, nays 28, as follows:

## YEAS—36

Aiken	Gurney	Reynolds
Bridges	Hawkes	Robertson
Brooks	Holman	Scrugham
Buck	Johnson, Colo.	Smith
Butler	McCarran	Stewart
Capper	McClellan	Thomas, Okla.
Clark, Mo.	McKellar	Tydings
Connally	Maybank	Van Nuys
Danaher	Millikin	Walsh
Ferguson	O'Daniel	Wheeler
George	Reed	Wherry
Gerry	Revercomb	Wiley

## NAYS—28

Barkley	Kilgore	Russell
Bone	La Follette	Shipstead
Burton	Langer	Taft
Caraway	Lucas	Tunnell
Chavez	McFarland	Vandenberg
Davis	Maloney	Wagner
Downey	Murdock	Wallgren
Guffey	Nye	White
Hayden	O'Mahoney	
Hill	Radcliffe	

## NOT VOTING—32

Andrews	Bushfield	Green
Austin	Byrd	Hatch
Bailey	Chandler	Johnson, Calif.
Ball	Clark, Idaho	Lodge
Bankhead	Eastland	McNary
Barbour	Ellender	Mead
Bilbo	Gillette	Moore
Brewster	Glass	Murray



Overton Thomas, Utah Willis  
Pepper Tobey Wilson  
Thomas, Idaho Truman

So Mr. DANAHER's amendment as modified was agreed to.

Mr. REED. Mr. President, I move that the vote by which the amendment of the Senator from Connecticut was agreed to be reconsidered.

Mr. DANAHER. I move to lay that motion on the table.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Connecticut to lay on the table the motion of the Senator from Kansas.

The motion to lay on the table was agreed to.

The VICE PRESIDENT. The joint resolution is open to further amendment. If there be no further amendment, the question is on the engrossment of the amendments and the third reading of the joint resolution.

The amendments were ordered to be engrossed, and the joint resolution to be read a third time.

The joint resolution (H. J. Res. 147) was read the third time, and passed.

Mr. BARKLEY. I move that the Senate insist on its amendments, ask for a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to: and the Vice President appointed Mr. WAGNER, Mr. BARKLEY, Mr. MALONEY, Mr. TAFT, and Mr. DANAHER conferees on the part of the Senate.

Mr. BARKLEY subsequently said: Mr. President, I ask unanimous consent that House Resolution 147, which the Senate passed this afternoon, be printed showing the Senate amendments.

The PRESIDING OFFICER (Mr. HILL in the chair). Is there objection to the request of the Senator from Kentucky? The Chair hears none, and it is so ordered.

#### MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives by Mr. Megill, one of its clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the Vice President:

S. 35. A bill to authorize the use for war purposes of silver held or owned by the United States; and

S. 1252. A bill to amend the act of August 11, 1939 (53 Stat. 1418), as amended by the act of October 14, 1940 (54 Stat. 1119), relating to water conservation and utilization projects.

#### INTERIOR DEPARTMENT APPROPRIATIONS—CONFERENCE REPORT

Mr. HAYDEN submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on certain amendments of the Senate to the bill (H. R. 2719) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1944, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 108, 162, and 163.

That the House recede from its disagreement to the amendments of the Senate numbered 96, 99, 154½, 155, and 157; and agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert "\$3,270,000"; and the Senate agree to the same.

Amendment numbered 97: That the House recede from its disagreement to the amendment of the Senate numbered 97, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert "\$100,000"; and the Senate agree to the same.

Amendment numbered 98: That the House recede from its disagreement to the amendment of the Senate numbered 98, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$100,000"; and the Senate agree to the same.

Amendment numbered 100: That the House recede from its disagreement to the amendment of the Senate numbered 100, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$100,000"; and the Senate agree to the same.

Amendment numbered 101: That the House recede from its disagreement to the amendment of the Senate numbered 101, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$100,000"; and the Senate agree to the same.

Amendment numbered 103: That the House recede from its disagreement to the amendment of the Senate numbered 103, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$57,500"; and the Senate agree to the same.

Amendment numbered 104: That the House recede from its disagreement to the amendment of the Senate numbered 104, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$75,000"; and the Senate agree to the same.

Amendment numbered 105: That the House recede from its disagreement to the amendment of the Senate numbered 105, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$2,350,800"; and the Senate agree to the same.

Amendment numbered 109: That the House recede from its disagreement to the amendment of the Senate numbered 109, and agree to the same with an amendment, as follows: In lieu of the matter stricken out and inserted by said amendment, insert the following: "Provided, That appropriations heretofore made"; and the Senate agree to the same.

Amendment numbered 110: That the House recede from its disagreement to the amendment of the Senate numbered 110, and agree to the same with an amendment, as follows: In lieu of the matter stricken out and inserted by said amendment, insert the following: "Shasta Dam, reservoir and power plant, \$10,900,000; Keswick Dam and power plant, \$1,474,000; Friant Dam and Reservoir, \$595,000; transmission line to Shasta substation, \$400,000; Friant-Kern Canal, \$7,000,000; Madera Canal, \$1,000,000; Contra Costa Canal, \$500,000; Contra Costa laterals, \$500,000; and examinations, surveys, and water rights, \$200,000; in all, \$22,569,000"; and the Senate agree to the same.

Amendment numbered 111: That the House recede from its disagreement to the amendment of the Senate numbered 111, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$3,500,000"; and the Senate agree to the same.

Amendment numbered 112: That the House recede from its disagreement to the amendment of the Senate numbered 112, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$3,000,000"; and the Senate agree to the same.

Amendment numbered 114: That the House recede from its disagreement to the amendment of the Senate numbered 114, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$500,000"; and the Senate agree to the same.

Amendment numbered 115: That the House recede from its disagreement to the amendment of the Senate numbered 115, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$865,000"; and the Senate agree to the same.

Amendment numbered 117: That the House recede from its disagreement to the amendment of the Senate numbered 117, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$265,000"; and the Senate agree to the same.

Amendment numbered 118: That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$375,000"; and the Senate agree to the same.

Amendment numbered 120: That the House recede from its disagreement to the amendment of the Senate numbered 120, and agree to the same with an amendment, as follows: In line 9 of said amendment strike out the figure "\$4,000,000" and insert in lieu thereof "\$64,000"; and the Senate agree to the same.

Amendment numbered 158: That the House recede from its disagreement to the amendment of the Senate numbered 158, and agree to the same with an amendment, as follows: In lieu of the matter stricken out and inserted by said amendment insert the following: "twenty-two"; and the Senate agree to the same.

Amendment numbered 159: That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$31,000"; and the Senate agree to the same.

Amendment numbered 160: That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$2,000,000"; and the Senate agree to the same.

Amendment numbered 174: That the House recede from its disagreement to the amendment of the Senate numbered 174, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$16,170,875"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 113, 119, and 156.

CARL HAYDEN,  
KENNETH MCKELLAR,  
ELMER THOMAS,  
JOSEPH C. O'MAHONEY,  
GERALD P. NYE,  
RUFUS C. HOLMAN,

*Managers on the part of the Senate.*

JED JOHNSON,  
MICHAEL J. KIRWAN,  
W. F. NORRELL,  
ALBERT E. CARTER,  
ROBERT F. JONES,  
BEN F. JENSEN,

*Managers on the part of the House.*

The report was agreed to.

The VICE PRESIDENT laid before the Senate a message from the House of Representatives announcing its action on certain amendments of the Senate to House bill 2719, which was read as follows:

IN THE HOUSE OF REPRESENTATIVES, U. S.,

July 5, 1943.

Resolved, That the House recede from its disagreement to the amendment of the Senate numbered 156 to the bill (H. R. 2719) making appropriations for the Department of the Interior for the fiscal year ending June



30, 1944, and for other purposes, and concur therein;

That the House recede from its disagreement to the amendment of the Senate numbered 113 to said bill and concur therein with an amendment as follows: In lieu of the matter inserted by said amendment insert: "Lugert-Altus project, Oklahoma, \$1,650,000; Provided, That of the total construction cost of all features of the project not to exceed \$3,080,000 shall be reimbursable under the provisions of the reclamation law";

That the House recede from its disagreement to the amendment of the Senate numbered 119 to said bill and concur therein with an amendment as follows: In lieu of the sum inserted by said amendment insert "\$32,809,000."

Mr. HAYDEN. I move that the Senate concur in the amendments of the House to the amendments of the Senate numbered 113 and 119.

The motion was agreed to.

Mr. HAYDEN. Mr. President, I believe it is due to some commitments which I have made to Senators, to explain that the conference report on the Interior Department appropriation bill was a complete report, and that the bill now goes to the White House for approval. I also promised to state to the Senate that there is no money appropriated in it for the transmission line from Shasta Dam to Oroville. The situation with respect to that is that no money being provided, in the absence of an appropriation of any kind, the line can be constructed or any work that is necessary to be done on it in the meantime can be carried on with the unexpended balances which are now available. By that I mean that where contracts have been made or where it is necessary to acquire the materials or do anything of the kind, the money is available for such purposes. But we are going to vote on the principle of the line and all other transmission lines for the Central Valley project when a special estimate is submitted to the Congress when we return after the recess.

In the meantime the Reclamation Service can proceed to carry forward any work which is necessary in connection with the proposed transmission line to Oroville.

Mr. GURNEY. Mr. President, will the Senator yield?

Mr. HAYDEN. I yield.

Mr. GURNEY. I should like to ask the Senator from Arizona if, in the conference agreement on the Interior Department appropriation bill just reported by the Senator, there was deleted from the bill the appropriation provided by the Senate of \$900,000 for the manganese pilot plant in South Dakota?

Mr. HAYDEN. That is correct.

Mr. GURNEY. Can the Senator give me an explanation of the reason for that action?

Mr. HAYDEN. The estimate which was submitted for work of that type was reduced \$100,000 by the House. The Senate restored the \$1,000,000 Budget estimate and added to it \$900,000 for the specific purpose which the Senator stated, but we were unable to induce the House conferees to yield upon that point. The House conferees said there was no Budget estimate for the extra

amount, and they would not agree to it. We were obliged to come to an agreement.

Mr. GURNEY. One more question. There is still \$900,000 in the bill which can be used to discover the best process for beneficiating manganese.

Mr. HAYDEN. That is correct, but it does not necessarily apply to the particular place mentioned by the Senator.

Mr. GURNEY. Is there any specific statement in the measure that the money shall be used in any particular spot in the United States?

Mr. HAYDEN. No. It is for general use throughout the country.

Mr. GURNEY. Then the money provided by the bill, according to the final conference agreement, can be used in South Dakota as well as in any other State?

Mr. HAYDEN. Certainly.

Mr. GURNEY. I thank the Senator.

#### FORREST W. DICKEY—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 235) for the relief of Forrest W. Dickey, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows: That the House recede from its disagreement to the amendment of the Senate, and agree to the same, with an amendment as follows: In lieu of the figures "\$5,000" insert "\$6,000"; and the Senate agree to the same.

ALLEN J. ELLENDER,  
JAMES M. TUNNELL,  
ARTHUR CAPPER,

*Managers on the part of the Senate.*

DAN R. MCGEEHEE,  
NAT PATTON,  
W. A. PITTINGER,

*Managers on the part of the House.*

The report was agreed to.

#### FLORENCE B. HUTCHINSON—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 1463) for the relief of Florence B. Hutchinson, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment, as follows:

In lieu of the figures "\$116" insert "\$416"; and the Senate agree to the same.

ALLEN J. ELLENDER,  
JAMES M. TUNNELL,  
ARTHUR CAPPER,

*Managers on the part of the Senate.*

DAN R. MCGEEHEE,  
W. A. PITTINGER,

*Managers on the part of the House.*

The report was agreed to.

#### LEGAL GUARDIAN OF LEONARD L. GAY—CONFERENCE REPORT

Mr. ELLENDER submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R.

1784) for the relief of the legal guardian of Leonard L. Gay, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate; and agree to the same.

ALLEN J. ELLENDER,  
JAMES M. TUNNELL,  
ARTHUR CAPPER,

*Managers on the part of the Senate.*

DAN R. MCGEEHEE,  
NAT PATTON,  
W. A. PITTINGER,

*Managers on the part of the House.*

The report was agreed to.

#### VISIT TO WOUNDED NORTH AFRICAN VETERANS

Mr. REYNOLDS. Mr. President, several days ago the Members of the Senate were invited by one of the officials of the War Department to make a trip to New York City, for the purpose of greeting some of our wounded soldiers who have returned from the north African area, and also to visit some of the hospitals on Staten Island. Unfortunately, the Senate was in session at the time when the trip was scheduled, and the many Members of the Senate who desired to make the trip were unable to do so. The junior Senator from Kentucky [Mr. CHANDLER] was appointed chairman of a subcommittee of the Committee on Military Affairs to make the trip. He did so. Following his return he submitted to the Committee on Military Affairs the report I hold in my hand. The report will be deposited with Colonel Watt, in the Committee on Military Affairs, for review by the Senate.

The Senator from Kentucky is now absent from the Senate. Rather than take the time of the Senate to read the conclusion stated in the report, I ask unanimous consent to have it printed in the RECORD at this point, as a part of my remarks.

There being no objection, the conclusion was ordered to be printed in the RECORD, as follows:

WASHINGTON, D. C., July 1, 1943.

The Honorable ROBERT R. REYNOLDS,  
*Chairman, Military Affairs Committee,  
United States Senate,*  
Washington, D. C.

MY DEAR SENATOR REYNOLDS: In accordance with your instructions to act as your representative in the inspection of the hospital ship *Acadia*, which arrived at Staten Island on Friday, June 25, I arrived in New York in the early morning of that date and was met by United States Army cars furnished by Maj. Gen. Homer M. Groninger, commanding general of the New York port of embarkation.

We proceeded to Staten Island where we inspected the Halloran General Hospital while waiting for the *Acadia* to dock. It was scheduled to arrive about 9:30 a. m., but was held up by fog until 1:30 p. m.

We inspected the ship, the Halloran receiving hospital, and a hospital train then loading to take the wounded and disabled from the Halloran Hospital, following any necessary emergency treatment, to the hospitals nearest their respective homes and where their particular cases could be best treated.

I want to take this occasion to thank you and the members of the committee who made the trip possible, and commend the work of the Medical and Transportation Corps for the thorough and efficient job that



contracts on subsidized ships with subsidized owners. The letter has been reprinted in the independent offices hearings for 1944 at page 721 and shows that insurance is issued for 100 percent in excess of the legal value of the ship.

With reference to this subject of values, I insert at this point in my remarks a history of the steamship *Wakefield*, formerly the *Manhattan* and the steamship *President Coolidge*, which clearly indicates the trend of insurance by the Maritime Commission.

Steamship *Manhattan*, renamed the steamship *Wakefield*. Post office reports on mail contracts show a total construction cost of some \$10,660,000. The hearings on H. R. 5130 show an estimated differential subsidy of \$3,550,000, leaving an estimated cost to the owner of some \$7,100,000.

I can find no evidence of improvement cost.

This vessel, based on the legal 5 percent depreciation, over a period of 10 years left the ship with a value of some three and one-half million dollars. A suit has recently been filed in the Federal court on this value of three and one-half million dollars wherein the owners ask for \$10,000,000 which apparently was the insurance coverage they carried on this ship. Strange to relate and for some unknown reason, the papers in this case have been impounded. Surely there is no military or naval secret in the fact that suit has been instituted to recover insurance. The public press brazenly publicized the loss of the ship. The only reason for impounding the papers or for secrecy is for an inside deal to rob the Treasury of \$10,000,000 or thereabouts on a value of some \$3,000,000.

With reference to the apparent indifference of the Comptroller General it is my understanding that only recently the Comptroller General has reported to the Congress that on five vessels sold by the United States Shipping Board in 1930 for \$150,000, which ships were later reconditioned and had, as of the time they were taken over by the Maritime Commission, a value of some \$5,000,000. The Maritime Commission paid some \$7,000,000. It is my understanding that the Comptroller General has reported to Congress that this payment of \$7,000,000 was \$2,000,000 in excess of the depreciated value, \$2,000,000 in excess of the book value, some \$2,000,000 in excess of that value at which the ships could be taken over and yet for reasons best known to himself, the Comptroller General states that he has not asked for the return of this money which he admits was a payment of \$2,000,000 of the taxpayers' money in excess of the authority which the Maritime Commission had, or has, according to his own statement.

Mr. Speaker, I am not only alarmed; I am discouraged that the Congress does not have the facilities to get a broad, comprehensive picture of the reasons for the inflated insurance contracts, the reasons for the dilly-dallying by Admiral Land over the value to be paid to shipowners for ships requisitioned and ships chartered in the face of the positive terms of the statute and the rulings by the Comptroller General. I am discour-

aged that the Comptroller General has not given to this Congress a comprehensive picture of the entire transactions of the Maritime Commission during this war and immediately before the war, which, to my way of thinking, is costing the taxpayers of this country hundreds of millions of dollars in excess of his rulings and what the law permits.

I do not think the public will be discriminate and blame Emory S. Land alone—I think it will look to the Congress of the United States as an aider and abettor if they are fleeced out of millions of dollars, and further than that, I think the soldiers, when they come back, will point their fingers with scorn at the Congress which permitted this kind of transaction.

I remind you again that both of these administrators, Stettinius and Land, are presently popular with the Congress, but I warn you that when expenditure of public funds are made unwisely, when there is inefficiency and waste in the conduct of the war under their administration, then and there friendship should cease in the name of the boys who are baring their breasts for the country at the sixty-odd battle fronts of the world and who will pay the cost of this war on their return.

Mr. Speaker, I intend to pursue the matter further just as much as the limited manpower at my command will permit to draft a bill of particulars that will condemn these agencies as the money wasters and tax-spenders they are.

The SPEAKER pro tempore. Under the previous order of the House the gentleman from Illinois [Mr. DIRKSEN] is recognized for 15 minutes.

[Mr. DIRKSEN addressed the House. His remarks appear in the Appendix of today's RECORD.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York [Mr. DICKSTEIN] is recognized for 5 minutes.

Mr. DICKSTEIN. Mr. Speaker, I did not intend to speak any more today, but I do want to call the attention of this House and the Congress to what I said this afternoon. Our boys are dying from hunger and are subjected to slavery and to disease in the camps of Germany and Japan. We are taking their men in safe convoys from the European countries, bringing them here and curing them of disease. We are giving them proper food and nourishment; then we send them out in the country to a camp where they play ball and see movies. My colleague from Michigan stated a little while ago in answer to my speech this afternoon that we ought to treat them fine, in fact treat them better. How can we reconcile the treatment of the American captured soldiers with the men that we have brought here from the European countries, whom we have treated so royally? In fact, as I said, they can play baseball, they can see moving pictures, and do what they like. I am told also they do a little farming and we even pay them for that. I think it is about 75 cents or a dollar a day. By the time we get through exchanging

soldiers, as pointed out, we will have nothing to our credit at all.

There has been testimony before my committee in executive session to the effect that some of our civilian Americans were captured by the Japanese and were hungry for days. Some courageous Chinese people had to smuggle in food to feed the American civilians who were held as prisoners by Japan. If we are treating these aliens, these enemies of ours, so well, we ought to try to make an exchange before it is too late.

It was not my purpose to discuss these questions. They are unpleasant. The fact of the matter is the American people ought to know the great expense we are put to in bringing these prisoners of war in here, giving them everything they ask for, including safe convoy while our boys are dying from disease and hunger. Something ought to be done, whether it is through the Red Cross or some other channel in order to make this exchange at the earliest possible moment while we will have soldiers to exchange.

I want to point out to this House also something in answer to a criticism by my colleague from Michigan. He probably did it in good faith. I said that we now have a group of enemy aliens held at Ellis Island, which is one of our seaports, and these aliens have been there more than a year. Ellis Island has good grounds, good fresh air, and is surrounded by water. If there are enemy aliens there we ought to separate them and put them where they belong—that is, in some concentration camp—so they do not contaminate the other prisoners who are aliens and were brought in there under the mere suspicion of being enemy aliens. We ought to be able to segregate the good and bad aliens and put them where they belong. In order to keep the American people safe we ought to take these enemy aliens and isolate them and at the same time we should protect those other aliens who are in this country and who are ready to fight and die for this country if given an opportunity to do so.

The SPEAKER pro tempore. The time of the gentleman has expired.

#### EXTENSION OF REMARKS

Mr. MAAS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include an address by Colonel Carey, a distinguished engineer.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota [Mr. MAAS]?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. GWYNNE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a statement prepared by the Legislative Reference Service of the Library of Congress.

The SPEAKER. Is there objection to the request of the gentleman from Iowa [Mr. GWYNNE]?

There was no objection.

[The matter referred to appears in the Appendix.]



Mr. DICKSTEIN. Mr. Speaker, I ask unanimous consent that in connection with the speech I made earlier in the afternoon I may have permission to insert therein certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. DICKSTEIN]?

There was no objection.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. CLEVINGER. Mr. Speaker, I ask unanimous consent to address the House.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. CLEVINGER]?

There was no objection.

#### THE LATE TIMOTHY T. ANSBERRY

Mr. CLEVINGER. Mr. Speaker, it is with regret that I announce the passing of Hon. Timothy T. Ansberry, former Member of this body.

Mr. Ansberry served in the Sixtieth, Sixty-first, Sixty-second, and Sixty-third Congresses. He was born in Defiance, Ohio, on December 24, 1871, was graduated from Notre Dame University in June 1893, and he represented the Fifth District of Ohio, the district I have the honor to represent. He was a militant, old-fashioned Democrat.

The death of Timothy T. Ansberry, Member of the House from the Fifth Ohio District from 1907 to 1915, in Doctors Hospital in New York City was announced last night by his son, T. Peter Ansberry. He made his home at 2139 Wyoming Avenue NW.

The son said Mr. Ansberry died of a heart condition that followed an operation. Mr. Ansberry, a Democrat, was a member of the Ways and Means Committee while in Congress.

He had been in retirement for some time, but for several years had practiced law in Washington, with offices at 1029 Vermont Avenue NW.

Mr. Ansberry was born in Defiance, Ohio, where he was educated in the public schools, and received a law degree from Notre Dame University in 1893. He began the practice of law that year and was justice of the peace from 1893 to 1895 and was prosecuting attorney of Defiance County from 1895 to 1903.

Mr. Ansberry resigned from the House to accept an associate judgeship of the Ohio Court of Appeals, but resigned from that post in 1916 to move back to Washington.

He was a Presidential elector from Ohio in 1916 and a delegate to the Democratic National Convention in 1920, 1924, and 1928.

#### RECESS

The SPEAKER. The House will stand in recess, subject to the call of the Chair. The bells will be rung 15 minutes before the House reassembles.

Accordingly (at 4 o'clock and 3 minutes p. m.) the House stood in recess, subject to call of the Chair.

#### AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 5:58 o'clock p. m.

#### RESIGNATION FROM COMMITTEE

The SPEAKER laid before the House the following resignation from committee:

JULY 6, 1943.

Hon. SAM RAYBURN,  
*Speaker, House of Representatives,*  
Washington, D. C.

MY DEAR MR. SPEAKER: I hereby tender my resignation as a member of the House Committee on Military Affairs.

E. C. GATHINGS.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

#### STILL FURTHER MESSAGE FROM THE SENATE

A still further message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a joint resolution of the House of the following title:

H. J. Res. 147. Joint resolution to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing joint resolution, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. WAGNER, Mr. BARKLEY, Mr. MALONEY, Mr. TAFT, and Mr. DANAHY to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 2719) entitled "An act making appropriations for the Department of the Interior for the fiscal year ending June 30, 1944, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate numbered 113 and 119 to the foregoing bill.

#### COMMODITY CREDIT CORPORATION

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

Mr. CANNON of Missouri. Reserving the right to object, Mr. Speaker, I would not consent to the joint resolution being sent to conference, but I would be willing to accede to the gentleman's request if he will modify it by asking that we take the joint resolution from the table and consider the Senate amendments at this time.

Mr. STEAGALL. Mr. Speaker, I withdraw the request.

Mr. Speaker, I move to suspend the rules and agree to the resolution which I sent to the Clerk's desk.

The Clerk read the resolution (H. Res. 292), as follows:

*Resolved*, That immediately upon the adoption of this resolution, the joint resolution, House Joint Resolution 147, with Senate amendments thereto, be and the same hereby is taken from the Speaker's table, the Senate amendments disagreed to, and the conference requested by the Senate agreed to.

The SPEAKER. Is a second demanded?

Mr. WOLCOTT. I demand a second, Mr. Speaker.

Mr. STEAGALL. Mr. Speaker, I ask unanimous consent that a second be considered as ordered.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. STEAGALL. Mr. Speaker, the first amendment to the resolution adopted by the Senate is to strike from the resolution a provision amending the Federal Reserve Act. The second amendment relates to the matter of grade labeling, which seems to have been acceptable to everybody in the Senate and officials of the Government who are especially interested. That leaves before us one other amendment of the Senate which I will read to the House in order that the matter may be fully understood. This is the language of that amendment:

Whenever a maximum price or prices shall have been established for any agricultural commodity or any commodity processed or manufactured in whole or substantial part from any agricultural commodity, including livestock, under authority of the Emergency Price Control Act of 1942 or of the act entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes," approved October 2, 1942, no subsidy or other payments shall be made either directly or indirectly to a producer, processor, manufacturer or any other person engaged in the production, marketing, distribution, or handling of any such commodity for the purpose of compensating any such producer, processor, manufacturer, or other person in whole or in part for any reduction or roll-back of maximum prices so established as may have been or may hereafter be ordered, from any funds heretofore or hereafter appropriated to the Commodity Credit Corporation or from any funds authorized to be borrowed by such Corporation or any other Government agency including Government-owned corporations, unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purpose. The definition of the term "person" in section 302 (h) of the Emergency Price Control Act of 1942, shall apply to the term "person" as used herein.

Members of the House, after the reading of this amendment, will understand its meaning. Members are familiar with the recent message of the Chief Executive dealing with the recent proposal to extend the life of the Commodity Credit Corporation.

It is felt by the conferees who represented the House in the conference on the other bill that this measure should be sent to conference in order that we may be given an opportunity to work out some solution of the problem in controversy.



Let me say that the amendment to this resolution was adopted on the floor of the Senate under very unusual circumstances. It makes no provision for carrying out obligations that have been made and that have accrued down to this time in connection with the administration of this particular phase of the Price Control Act. The conferees, I am sure, will undertake in good faith to work out some solution of this problem that will meet the views of the House if the bill is sent to conference.

Mr. WOLCOTT. Mr. Speaker, we have a not unusual situation before us. I know that it is tiresome to talk about this subsidy program any more. The issues are pretty clear. I do not think there is anyone in the House who is any more opposed to the payment of subsidies than I. I do think, however, that the orderly procedure is to send this bill to conference. I say that for several reasons. If we were to accept immediately the Senate version of this bill, in the face of the dispute which has been going on here for weeks about it, we would be charged with acting not finally on the measure, but we would be charged with acting upon the measure without giving due consideration to the language of the Senate bill. There are very few of us who know what the Senate has provided for in the bill, but it does seem to me that the language in the Senate bill is much more rigid than the language in the bill which the President has vetoed.

I think we should have an opportunity to study this out in conference and to report back to this House the result of the conference which we will have on the question and have at least 1 hour of debate on whether the House should accept the Senate language or any modification of it which we agree upon.

Mr. CANNON of Missouri. Mr. Speaker, will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. CANNON of Missouri. Would not the gentleman be willing for this to go over until tomorrow morning, so that the Members of the House might have an opportunity in the meantime to study the Senate amendments?

Mr. WOLCOTT. I might say to the gentleman that I do not have any jurisdiction over the matter before the House tonight, which is whether we will suspend the rules and send the bill to conference. I do not think I would be in favor of the gentleman's suggestion, for this reason: We are anxious to recess this House when these controversial matters are out of the way. If we send this bill to conference tonight, as it is hoped we will, we will then be able to work on this either tonight or tomorrow morning and report this matter back to the House and save at least 1 full day. If we do not send this bill to conference tonight, if we send it to conference tomorrow, then the gentleman knows much better than I do that under the rules of the House we cannot take it up until the following day. So I think the proper thing to do is to send this bill to conference now.

Mr. CANNON of Missouri. Would not a half day be a small matter when so vital a national interest is concerned? The Members have not had opportunity to see the amendment. We are asked to vote in a very arbitrary way on suspension of the rules, a very unusual procedure on a matter we have had no opportunity to study.

Mr. WOLCOTT. Mr. Speaker, I do not yield further. It is a procedure which we have adopted, and it is not nearly as stringent and arbitrary as the gentleman's procedure, which would compel us to accept or vote down immediately the Senate amendments.

Mr. ROBSION of Kentucky. Will the gentleman yield to me?

Mr. WOLCOTT. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. Do I understand that in voting on this motion we do not either vote for or against, or commit ourselves for or against, subsidies?

Mr. WOLCOTT. The gentleman is correct.

Mr. ROBSION of Kentucky. It is merely to send the bill to conference to try to work out something to adjust the matter?

Mr. WOLCOTT. The gentleman is correct, and we will save at least 1 full day.

Mr. SUMNERS of Texas. Will the gentleman yield?

Mr. WOLCOTT. I yield.

Mr. SUMNERS of Texas. We understand if this is sent to conference the conferees will begin to work immediately upon the things contained in these amendments, and come back and report as quickly as they can?

Mr. WOLCOTT. That is correct. If we do not send it to conference tonight it will be impossible to take it up, under the rules of the House, until the following day.

The SPEAKER. The question is, Will the House suspend the rules and pass the resolution?

The question was taken; and two-thirds having voted in favor thereof, the rules were suspended, and the resolution was agreed to.

The SPEAKER. The Chair appoints the following conferees: Mr. STEAGALL, Mr. SPENCE, Mr. BROWN of Georgia, Mr. PATMAN, Mr. WOLCOTT, Mr. CRAWFORD, and Mr. GAMBLE.

#### HOUR OF MEETING TOMORROW

Mr. RAMSPECK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. RAMSPECK. Mr. Speaker, the conferees on the war agencies appropriation bill and the last deficiency bill will have a report ready early in the morning. I therefore ask unanimous consent that when the House adjourns today it adjourn to meet at 10 o'clock tomorrow morning.

The SPEAKER. Is there objection?

Mr. KENNEDY. Mr. Speaker, I object.

#### WAR AGENCIES APPROPRIATION BILL AND SECOND DEFICIENCY APPROPRIATION BILL—CONFERENCE REPORTS

Mr. CANNON of Missouri. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight tonight to file conference reports on the war agencies appropriation bill and the second deficiency appropriation bill.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The conference reports are as follows:

#### CONFERENCE REPORT ON WAR AGENCIES APPROPRIATION BILL

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate numbered 33 and 34 to the bill (H. R. 2963) making appropriations for war agencies in the Executive Office of the President for the fiscal year ending June 30, 1944, and for other purposes, having met, after full and free conference, have been unable to agree.

CLARENCE CANNON,  
C. A. WOODRUM,  
LOUIS LUDLOW,  
J. BUELL SNYDER,  
EMMET O'NEAL,  
LOUIS C. RABAUT,  
JOHN TABER,  
R. B. WIGGLESWORTH,  
W. P. LAMBERTSON,

*Managers on the part of the House.*

KENNETH MCKELLAR,  
CARL HAYDEN,  
GERALD P. NYE,  
RUFUS C. HOLMAN,

*Managers on the part of the Senate.*

#### CONFERENCE REPORT ON SECOND DEFICIENCY APPROPRIATION BILL

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3030) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1944, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 5, 6, 7, 10, 11, 12, 13, 14, 28, 29, 30, and 31.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 16, 17, 19, 20, 21, 22, 23, 32, 33, 34, 35, 36, 37, 38, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, and 61; and agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows: In line 5 of said amendment strike out the figure "\$75,000,000" and insert in lieu thereof "\$50,000,000" and in line 8 strike out "\$3,375,000" and insert in lieu thereof "\$2,250,000"; and the Senate agree to the same.

Amendment numbered 18: That the House recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment, as follows: In line 5 of said amendment strike out the figure "\$150,000,000" and insert in lieu thereof "\$100,000,000"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment, as follows: In line 6 of said amendment, after the word



"expended" and before the comma, insert the following: "and to be allocated to the Intracoastal Waterway from the vicinity of Apalachee Bay to Corpus Christi, Texas"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 8, 9, 24, 25, 26, and 27.

CLARENCE CANNON,  
C. A. WOODRUM,  
LOUIS LUDLOW,  
J. BUELL SNYDER,  
EMMET O'NEAL,  
LOUIS C. RABAUT,  
JOHN TABER,  
R. B. WIGGLESWORTH,  
W. P. LAMBERTSON,

*Managers on the part of the House.*

KENNETH MCKELLAR,  
CARL HAYDEN,  
RICHARD B. RUSSELL,  
GERALD P. NYE,  
RUFUS C. HOLMAN,

*Managers on the part of the Senate.*

#### STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on amendments of the Senate to the bill (H. R. 3030) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1944, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

#### LEGISLATIVE

No. 1: Appropriates \$20,000 to enable the Joint Committee on Reduction of Nonessential Federal Expenditures to carry out duties imposed by section 601 of the Revenue Act of 1941, and section 204 of the Treasury-Post Office Appropriation Act, 1944, as proposed by the Senate.

Nos. 2, 3, 4, and 5, relating to the Government Printing Office: Appropriates \$17,000,000 for working capital and congressional printing and binding, fiscal year 1944; increases the amount available for printing, binding, and distribution of the Federal Register to \$430,000, fiscal year 1943; and strikes out the proposed payment to messengers on night duty, totaling \$2,400, to be paid from the appropriation for printing and binding for Congress for the fiscal year 1943.

#### EXECUTIVE OFFICE OF THE PRESIDENT

Nos. 6 and 7: Appropriates \$29,500 for salaries and expenses, National Resources Planning Board, as proposed by the House, instead of \$42,500, as proposed by the Senate; and provides that not more than \$37,000 shall be available for salaries (other than to pay annual leave), as proposed by the House, instead of \$50,000, as proposed by the Senate.

#### INDEPENDENT EXECUTIVE AGENCIES

No. 10: Strikes out the proposal of the Senate appropriating \$65,000 for salaries and expenses, Bituminous Coal Consumers' Counsel, fiscal year 1944.

Nos. 11, 12, 13, and 14: Strikes out the proposal of the Senate providing \$20,000,000 for war-area child-care payments to States, local public authorities, and other agencies, and \$450,000 for salaries and expenses, necessary to carry out the war-area child-care program proposed to be administered by the Federal Security Agency; and eliminates the provision of the Senate making such appropriations dependent upon the enactment of the bill (S. 1130) to provide for care of children of mothers employed in war areas in the United States, and for other purposes.

#### FEDERAL WORKS AGENCY

No. 15: Appropriates \$50,000,000 for war public works (community facilities), instead of \$75,000,000, as proposed by the Senate; of which \$2,250,000 is made available for administrative expenses, instead of \$3,375,000, as proposed by the Senate.

No. 16: Appropriates \$12,000,000 for use by the Public Roads Administration in connection with the Inter-American Highway, as proposed by the Senate.

#### NATIONAL HOUSING AGENCY

Nos. 17, 18, and 19: Appropriates \$100,000,000 for war housing, instead of \$150,000,000, as proposed by the Senate; and provides that not exceeding \$7,000,000 of the unexpended balance of the appropriation under "Emergency fund for the President, defense housing," contained in the Third Supplemental National Defense Appropriation Act, 1942, shall be continued available until June 30, 1944, as proposed by the Senate.

#### DISTRICT OF COLUMBIA

Nos. 20, 21, 22, and 23: Appropriates \$68,000 as an additional amount for support of indigent insane of the District of Columbia in St. Elizabeths Hospital, fiscal year 1943; provides \$2,916.86 for the payment of final judgments; and provides for the division of expenses in connection with such items; all as proposed by the Senate.

#### DEPARTMENT OF THE INTERIOR

Nos. 28, 29, 30, and 31: Strikes out the proposals of the Senate to appropriate \$1,100,000 for the Bituminous Coal Division, and \$25,000 for the Patrick Henry National Monument, under the National Park Service.

#### NAVY DEPARTMENT

Nos. 32 and 33: Inserts additional funds for the payment of claims for damages by collision with naval vessels, contained in Senate Document 82, as proposed by the Senate.

Nos. 34 and 35: Provides additional funds under the Coast Guard for the payment of claims for damages, operation of vessels, contained in Senate Document 81, as proposed by the Senate.

#### TREASURY DEPARTMENT

No. 36: Appropriates \$800,000, fiscal year 1944, to the Bureau of Accounts, for salaries and expenses, deposit of withheld taxes, as proposed by the Senate.

#### WAR DEPARTMENT

Nos. 37, 38, 39, 40, 41, 42, 43, and 44: Appropriates \$7,095,000 for rivers and harbors work, as proposed by the Senate, amended to require allocation of the funds to the intracoastal waterway from the vicinity of Apalachee Bay to Corpus Christi, Tex.; provides \$4,385,000 for the prosecution of a dam and reservoir project on Mosquito Creek, Ohio, as proposed by the Senate; and appropriates \$10,000,000 for flood control, general (emergency fund), as proposed by the Senate. Appropriates \$80,820 for maintenance and operation of the United States Soldiers' Home, 1944, as proposed by the Senate; and provides that appropriations for the Military Establishment and for civil functions, fiscal year 1944, shall be available for carrying into effect the act to provide for the settlement of claims for damage to, or loss or destruction of, property, and so forth, approved July 3, 1943, as proposed by the Senate.

#### TITLE II—JUDGMENTS AND AUTHORIZED CLAIMS

Nos. 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, and 60: Appropriates funds for the payment of judgments and authorized claims as submitted to the Senate in sundry Senate documents, all as proposed by the Senate.

#### TITLE III—GENERAL PROVISIONS

No. 61: Provides that all appropriations and authority, with respect to appropriations for

the fiscal year 1944, shall be available from and including July 1, 1943, as proposed by the Senate.

#### AMENDMENTS IN DISAGREEMENT

The following amendments are reported in disagreement:

No. 8, relating to the preparation and distribution to the public of the United States Government Manual under the Office of War Information.

No. 9, relating to the transfer of equipment, tools, and machinery heretofore used by the National Youth Administration to States or State boards for vocational education.

Nos. 24, 25, and 26, relating to aid and the temporary rehabilitation of farmers, in areas flooded in 1943.

No. 27, relating to appropriations for development of airports started by the Work Projects Administration, Office of Administrator of Civil Aeronautics, Department of Commerce.

CLARENCE CANNON,  
C. A. WOODRUM,  
LOUIS LUDLOW,  
J. BUELL SNYDER,  
EMMET O'NEAL,  
LOUIS C. RABAUT,  
JOHN TABER,  
R. B. WIGGLESWORTH,  
W. P. LAMBERTSON,

*Managers on the part of the House.*

#### LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. TROUTMAN (at the request of Mr. SCOTT), indefinitely, on account of death of father.

To Mr. MALONEY, for the balance of the week, on account of urgent business reasons.

#### SENATE JOINT RESOLUTION REFERRED

A joint resolution of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. J. Res. 59. Joint resolution authorizing the President of the United States of America to proclaim Armed Services Honor Day for the recognition and appreciation of the patriotic devotion to duty of all members of all branches of the armed military and naval forces of the United States of America; to the Committee on the Judiciary.

#### SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 35. An act to authorize the use for war purposes of silver held or owned by the United States; and

S. 1252. An act to amend the act of August 11, 1939 (53 Stat. 1418), as amended by the act of October 14, 1940 (54 Stat. 1119), relating to water conservation and utilization projects.

#### BILLS PRESENTED TO THE PRESIDENT

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 6. An act to authorize the Secretary of Agriculture to adjust titles to lands acquired by the United States which are subject to his administration, custody, or control;

H. R. 249. An act for the relief of Gertrude Ricketts;







## CONTINUATION OF COMMODITY CREDIT CORPORATION

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JULY 8, 1943.—Ordered to be printed

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MR. STEAGALL, from the committee of conference, submitted the  
following

### CONFERENCE REPORT

[To accompany H. J. Res. 147]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 3.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, and 4; and agree to the same.

HENRY B. STEAGALL,  
BRENT SPENCE,  
PAUL BROWN,  
WRIGHT PATMAN,  
JESSE P. WOLCOTT,  
RALPH A. GAMBLE,

*Managers on the part of the House.*

ROBERT F. WAGNER,  
ALBEN W. BARKLEY,  
FRANCIS MALONEY,  
JOHN A. DANAHER,  
ROBERT A. TAFT,

*Managers on the part of the Senate.*



## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: Section 4 of the joint resolution as it passed the House provided that section 22 (g) of the Federal Reserve Act, as amended (relating to indebtedness of executive officers of banks), should not apply to loans which the Commodity Credit Corporation has agreed to take over or purchase. The Senate amendment eliminated section 4 of the joint resolution. The House recedes.

Amendment No. 2: This amendment merely changes a section number. The House recedes.

Amendment No. 3: This amendment provided that whenever a maximum price or prices has been established for any agricultural commodity, or any commodity processed or manufactured in whole or substantial part from any agricultural commodity, including livestock, no subsidy or other payments should be made, either directly or indirectly, out of any funds of the Commodity Credit Corporation or any other governmental agency to any person engaged in the production, marketing, distribution, or handling of any such commodity as compensation for any reduction or roll-back of maximum prices so established, unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purpose.

There was no corresponding provision in the joint resolution as it passed the House. The Senate recedes.

Amendment No. 4: This amendment added a provision to section 2 of the Emergency Price Control Act of 1942, as amended, to make it clear that nothing in that act should be construed (1) as authorizing the elimination or any restriction of the use of trade and brand names, (2) as authorizing the Administrator to require grade labeling of any commodity, (3) as authorizing the Administrator to standardize any commodity, unless the Administrator determined, with respect to such standardization, that "no practicable alternative exists for securing effective price control with respect to such commodity", or (4) as authorizing any order of the Administrator fixing maximum prices for different kinds, classes or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use in the trade or industry affected, or have previously been promulgated and their use lawfully required by another Government agency. The section also repealed the provision in the National War Agencies Appropriation Act, 1944, prohibiting the use of the appropriation for the Office of Price Administration for the promulgation or enforcement of orders requiring grade labeling or standardization of food products, wearing apparel or other processed or manufactured commodities or articles.

There was no corresponding provision in the joint resolution as it passed the House. The House recedes.

The purpose of this amendment to section 2 of the Emergency Price Control Act of 1942, as amended, is to meet the objection that the Price Administrator has exceeded the limitations expressed in section 2 (h) of that act in issuing certain regulations already promulgated.

The first clause prohibits any attempt to eliminate or restrict the use of trade and brand names, and clarifies the original congressional intention on this subject. The second clause prohibits any requirement for grade labelling of any commodity as that term is defined in section 302 (c) of the act. This definition embraces all commodities and products, including hosiery and wearing apparel. The third clause requires that before any commodity may be standardized, the Administrator must determine that no practicable alternative method exists for securing effective price control of the commodity. The fourth clause prohibits the tying of maximum prices to specifications or standards under any circumstances unless such specifications or grades have previously been in wide, general use in the affected industry, or have previously been lawfully required to be used, in the sale of commodities, by some other Government agency acting pursuant to congressional authorization. Thus price ceilings may be based only on grades and specifications which are in wide, general use in an industry, such as those prevailing in the lumber business; or may be based on legal standards or specifications promulgated under the Food, Drug, and Cosmetic Act or the Federal Meat Inspection Act. But requirements that standards or specifications be used in manufacturing or selling, or that such standards appear on the invoice, are prohibited except where such standards or specifications are in wide, actual commercial use, or are lawfully required by some other Government agency, acting pursuant to statute, to be used in the sale of the affected commodities. Voluntary, advisory, warehousing, proposed, or tentative specifications or standards, issued by administrative officials, cannot be written into law merely by being put into maximum price regulations.

Each of these four limitations is made separately applicable to the issuance of maximum-price regulations, and is designed to make certain and specific the congressional intent originally embodied in section 2 (h) of the act. That section provided that—

The powers granted in this section shall not be used or made to operate to compel changes in the business practices, cost practices or methods, or means or aids to distribution, established in any industry, \* \* \*

The enactment of this further provision, making clear the circumstances under which the Administrator may act, warrants the repeal of the somewhat broader limitations, recently included in the National War Agency Appropriation Act of 1944, to which the Administrator has objected.

HENRY B. STEAGALL,  
BRENT SPENCE,  
PAUL BROWN,  
WRIGHT PATMAN,  
JESSE P. WOLCOTT,  
RALPH A. GAMBLE,

*Managers on the part of the House.*





remarks an address which I delivered at the Roosevelt Hotel on the 21st of June last.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

Six weeks ago on the Senate floor I called upon the American people to protect their political interests by taking noupartisan action. The response to that appeal has been outstanding. From State after State responsible citizens from the farm, from the small business places, from the laboring men, have joined in the demand for government which will place the welfare of America above that of any other country.

If today I could sit down with you, my friends and we could look into each other's eyes, I know that the truth I would see there would reveal to a great extent the suffering, the misery, the fears that are within you.

No one can do more for the average man or woman than they can do for themselves but you are entitled to have the truth about the war, the truth about economic conditions, the truth about what the future holds in store for your children, the truth about whether in your old age you will be free from suffering and want.

Frankly, we no longer have the two-party political system in this country. One has but to scan the votes in this body to realize that the Republican Party and the Democratic Party as such on economic grounds have long since ceased to exist and that the places of these two parties have been taken by the conservatives on the one hand and the liberals on the other. Never in the history of America have the conservatives had the bit in their teeth more savagely or cruelly, as witnessed by what has taken place within these last few months.

Within these weeks, although the Democratic platform of 1940 declared that future issues of State and county and Federal bonds should not be exempt from taxation, we find by an overwhelming majority the Senate refusing to pass legislation which would tax these issues in the future, but during the debate acquired the knowledge that there are \$18,000,000,000 worth of tax-exempt bonds now in existence upon which no taxes are being paid. That roughly is one-quarter of all the wealth of the United States. A farmer pays taxes on his cow and calf. The laboring man, on his small amount of furniture he may have in his house, but the man who, the record shows, has an income of over \$1,000,000 a year on tax-exempt securities, pays nothing.

More ironical yet was the decision of the Congress which the President permitted to become a law without his signature, cruelly discriminating between the soldier of the Army and the wealthy man. If at the beginning of the war two brothers were each having an annual income of \$67,200, the boy that was drafted or enlisted in the Army was reduced to \$50 a month, or \$600 a year, but the proposal to limit the income of his brother to \$67,200 a year or \$25,000 net was indignantly rejected, although both the Democratic and Republican Parties in their platforms in 1924 had specifically promised after the World War No. 1 that in the event of another war wealth should be drafted the same as human life.

No better illustration of the callous indifference to the poor can be cited than the use tax on automobiles. A millionaire may own a \$10,000 Rolls-Royce and be secure in the knowledge that he doesn't pay any higher use tax than the hired man working on a farm who buys a \$15 jitney so that he can ride to town on Sunday. The tax on both is alike, \$5 apiece, and when an effort was made to prevent that tax from going into effect it was defeated on the Senate floor by a vote of 35 to 22.

Daily we read in the newspapers and magazines that we are living in the finest country in the world and suggestions are frequently made that if one doesn't like this country that he should immigrate to Ireland or Russia or some other country. The boys that are running this country don't like criticism. They resent the truth. The truth of the matter is that the Federal report shows that we have 11,000,000 families that have less than \$350 a year for food, or 35 cents a meal for the entire family; that 91 girls out of every 100 prostitutes are the daughters of tenant farmers and sharecroppers and coal miners; and that 695,000 boys were so ignorant and had such lack of education that they could not and were not inducted into the Army; that 3,200,000 people in this country have syphilis and gonorrhea, and that 1,200,000 war workers are suffering from venereal diseases. What a tragedy for those who wrap the American flag about them and loudly proclaim their patriotism, and what a contrast to those 3,000 who today are receiving salaries in excess of \$75,000 a year, some of them over one-half million dollars a year and leading organized fights against paying their share of taxes, while the fathers are unable to educate their children, and whose wives and daughters often become prostitutes because they haven't got enough to eat and wear.

The men who control the newspapers and the radio, the men who contribute millions of dollars to corrupting the elections every 4 years—\$35,000,000 being spent for the Democratic and Republican last Presidential election alone—dread the power of the farmer, the laboring man, the small businessman. They fear that they will unite and vote together. They spent \$35,000,000 in the last election to keep them divided because by keeping them divided they could raise the price of the foodstuffs and farm machinery and those things that they knew these people must have, so they could get their \$35,000,000 back again and the election would cost them nothing.

We have seen the National Democratic Convention nominating a Republican and the Republicans nominating a Tammany Democrat, for President. The monopolistic interests work and plan together to nominate two men neither of whom is for the common man's interest, and then at election time the monied crowd say to the people: "You have a free election. Take your choice of either one of these two, both of whom are our men." As far as foreign policy was concerned, in the last election what choice was there for a man who did not wish to become involved in the war between Mr. Roosevelt and Mr. Willkie?

The time has come in America to nominate men for President and Vice President who will actually live up to the planks of the campaign platform. Honest men who will not say after election as did one of the candidates 3 years ago, that what he said in his campaign speeches was just "campaign oratory." We must build a political organization from the bottom up and not from the top down and to build it from the bottom up we must have an organization in every precinct in America. Men and women who will meet on the same day at the same hour, will elect a permanent precinct captain, organize to get out the vote of the people on election day, and by secret ballot elect delegates who will go to a county convention a week later where again all those present will pledge themselves to back a ticket chosen by delegates selected who will meet at a State convention and shortly after that, at a national convention.

With the delegates selected by secret ballot, with all those attending these meetings pledging themselves to support the ticket no matter whether it runs on the Republican, Democratic, Socialist, or Independent col-

umn, we can get those who believe in winning the war quickly, in guaranteeing every man who wants to work the right to work, in giving the returned soldiers jobs when they come back, who believe in decent pensions for the aged folks, who believe in laws to prevent discrimination because of race, color, creed, or sex, and who believe in money reform, to fight together politically instead of fighting each other.

Nearly 10 years ago a million people signed a petition to Congress to have an old-age pension. They were told that the Government could not afford it, and thousands upon thousands of old people have died in hunger and want. But, although they told us then that the money was not available, they have spent billions since for numerous other purposes, which I needn't mention here. Farmers are entitled to the cost of production, plus a reasonable profit, and every farm woman entitled to have the Rural Electrification Administration extend electricity to her home to relieve her and her husband of hard work.

My friends, patriotic men and women will well remember how our soldier boys got back from the last war unable to get work, denied a bonus, and they finally had to march on the Capitol here in Washington, where they were met by the Army that fired upon their own comrades. I warn America that unless constructive steps are taken that as soon as the war is over and millions are out of work we will see a repetition of that disgraceful occurrence. There is only one way to prevent it, and that is by the political organization of the farmer, the miner, the factory worker, the small businessman, the laboring man, into one compact political organization. If every one of you will do your part in organizing your precinct politically and at the given time select delegates by secret ballot, who in turn will meet in the county convention and elect delegates by secret ballot again, who will meet in a State convention where they will select delegates to a national convention by secret ballot once more, then no politician, however powerful, will be able to control that convention and that convention representing the people of this country can determine whether they wish to support liberal candidates on the Democratic ticket, the Republican ticket, or the Socialist ticket, or whether they wish to run a ticket of their own. I call upon everyone who believes as I do, that destitute aged people are entitled to pensions, that a poor woman giving birth to a baby is entitled to hospitalization, that the blind and the crippled should be taken care of properly and decently, and in the three principles I have before-named, to sign and mail to me, Senator WILLIAM LANGER, Washington, D. C., the following pledge:

"I do hereby promise at a date to be selected by the national committee to call together at my home on the day specified, patriotic men and women who, regardless of race, color, and creed, will pledge themselves to fight the battle of the people.

"Name \_\_\_\_\_  
"Address \_\_\_\_\_"

CONTINUATION OF COMMODITY CREDIT CORPORATION—CONFERENCE REPORT

Mr. WAGNER. Mr. President, I submit a conference report on House Joint Resolution 147.

The PRESIDING OFFICER (Mr. WHERRY in the chair). The report will be read.

The legislative clerk read the report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of



the United States, to increase its borrowing power, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 3.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, and 4, and agree to the same.

ROBERT F. WAGNER,  
ALBEN W. BARKLEY,  
FRANCIS MALONEY,  
ROBERT A. TAFT,  
JOHN A. DANAHY,

*Managers on the part of the Senate.*

HENRY B. STEAGALL,  
BRENT SPENCE,  
PAUL BROWN,  
WRIGHT PATMAN,  
JESSE P. WOLCOTT,  
RALPH A. GAMBLE,

*Managers on the part of the House.*

The PRESIDING OFFICER. Is there objection to the immediate consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. WAGNER. I move that the report be adopted.

The PRESIDING OFFICER. The question is on the motion of the Senator from New York.

The motion was agreed to.

#### GEORGE WASHINGTON CARVER NATIONAL MONUMENT—CONFERENCE REPORT

Mr. WALLGREN submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 647) to provide for the establishment of the George Washington Carver National Monument, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, and 3, and agree to the same.

CARL A. HATCH,  
RUFUS C. HOLMAN,  
MON C. WALLGREN,

*Managers on the part of the Senate.*

J. HARDIN PETERSON,  
J. W. ROBINSON,  
COMPTON I. WHITE,  
K. M. LECOMPTÉ,

*Managers on the part of the House.*

The report was agreed to.

#### SECOND DEFICIENCY APPROPRIATIONS—CONFERENCE REPORT

Mr. McCARRAN (for Mr. McKELLAR) submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on certain amendments of the Senate to the bill (H. R. 3030) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1944, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 25 and 27.

Amendment numbered 8: That the Senate recede from its disagreement to the amendment of the House to the amendment of the Senate numbered 8; and agree to the same.

Amendment numbered 9: That the Senate recede from its disagreement to the amend-

ment of the House to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the House, insert the following:

#### "WAR MANPOWER COMMISSION

"National Youth Administration: For an additional amount for the National Youth Administration in the performance of its functions from July 1, 1943, to the date of enactment of the Labor-Federal Security Appropriation Act, 1944, and thereafter for the liquidation of such Administration, including not to exceed \$2,000 for printing and binding, not to exceed \$1,500,000 from the unexpended balance of the appropriations for the National Youth Administration in the Labor-Federal Security Appropriation Act, 1943, to be added to and merged with the funds made available for the liquidation of the National Youth Administration by such Labor-Federal Security Appropriation Act, 1944; and of such merged amount not less than \$1,487,000 shall be allocated and set apart to be used exclusively for payment of accumulated and accrued leave of employees: *Provided*, That all real and personal property of the National Youth Administration is hereby declared surplus, and all equipment, materials, and supplies shall be assembled, inventoried, and turned over to the Director of Procurement, Treasury Department, under Executive Order 9235 by the Administrator of the National Youth Administration as expeditiously as possible, and all real property shall be disposed of by the Commissioner of Public Buildings in accordance with the Act of August 27, 1935 (40 U. S. C. 304 (a) and 304 (b)): *Provided further*, That, under commitment to return such property to the United States at borrower's expense, any real or personal property of the National Youth Administration in use on June 30, 1943, by any non-Federal vocational education authority within any State may continue to be so used during the period of the present war and for not to exceed 6 months after the termination thereof, without compensation, but in no event beyond the date such property ceases to be used for vocational education purposes: *Provided further*, That during such period, the Director of Procurement, in the case of personal property, and the Commissioner of Public Buildings, in the case of real property, upon certificate of the United States Commissioner of Education that such property is to be used for vocational education and training, may loan, without compensation, to any such existing non-Federal vocational education authority, if applied for within ninety days after the date of enactment of this Act, any real or personal property of the National Youth Administration not required by any other Federal Agency (excepting the Lend-Lease Administration) or otherwise loaned under the authority of this paragraph, if such borrower agrees, in the case of personal property, to pay all expenses incident to obtaining and returning such property"; and the House agree to the same.

The committee of conference report in disagreement amendments numbered 24 and 26.

KENNETH MCKELLAR,  
CARTER GLASS,  
CARL HAYDEN,  
GERALD P. NYE,  
RUFUS C. HOLMAN,

*Managers on the part of the Senate.*

CLARENCE CANNON,  
C. A. WOODRUM,  
LOUIS LUDLOW,  
J. BUELL SNYDER,  
EMMET O'NEAL,  
LOUIS C. RABAUT,  
JOHN TABER,  
R. B. WIGGLESWORTH,  
W. P. LAMBERTSON,

*Managers on the part of the House.*

Mr. McCARRAN. I move that the Senate agree to the report.

Mr. REVERCOMB. Mr. President will the Senator yield?

Mr. McCARRAN. I yield.

Mr. REVERCOMB. I wish to suggest the absence of a quorum.

Mr. McCARRAN. I wish the Senate would not do that until we get the conference report through.

Mr. REVERCOMB. I want a vote on the conference report.

Mr. McCARRAN. Very well.

The PRESIDING OFFICER. The absence of a quorum is suggested. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Barkley	Hayden	Reynolds
Bone	Hill	Robertson
Brewster	Holman	Scruggs
Bridges	Johnson, Colo.	Shipstead
Brooks	Kilgore	Smith
Buck	La Follette	Stewart
Burton	Langer	Thomas, Okla.
Butler	Lucas	Thomas, Utah
Byrd	McCarran	Truman
Capper	McClellan	Tunnell
Caraway	McFarland	Tydings
Clark, Mo.	McKellar	Vandenberg
Connally	Maloney	Van Nuys
Danahy	Maybank	Wagner
Davis	Mead	Wallgren
Downey	Millikin	Walsh
Ellender	Murdock	Wheeler
Ferguson	Nye	Wherry
George	O'Daniel	White
Gerry	O'Mahoney	Wiley
Green	Pepper	Willis
Guffey	Radcliffe	
Gurney	Reed	
Hawkes	Revercomb	

The VICE PRESIDENT. Seventy Senators having answered to their names, a quorum is present.

Mr. McCARRAN. I move that the report be agreed to.

The VICE PRESIDENT. The question is on agreeing to the conference report.

Mr. REVERCOMB. Mr. President, the motion is to agree to a conference report which asks the Senate to recede on one item which was passed by this body. It affects quite a number of States. It has to do with the completion of some 28 airports. The amount involved is about \$8,000,000. We have sat here week after week, particularly in the last few days, and appropriated immense sums of money for different undertakings throughout the country. The airports in question have been approved by the Civil Aeronautics Authority. They are needed in this country. They are not completed, and in many instances a very small sum of money is necessary for their completion.

I wish to call this matter to the attention of the Senate because I hope that another effort will be made by the Senate conferees in conference with the House conferees to induce them to agree to our position, and not to take from the bill the approved airports which are needed at this time.

For that reason, Mr. President, I shall oppose the adoption of the conference report.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. McCARRAN. I yield.

Mr. WHERRY. I should like to go on record as confirming what the Senator from West Virginia has said with respect to completion of the airports. The provision in question affects my State. It concerns one airfield at Fremont, Nebr., with which the Senator from Nevada is



of the Executive must be confirmed by the Senate.

Mr. RAMSPECK. Mr. Speaker, will the gentleman yield?

Mr. WOODRUM of Virginia. I yield to the gentleman from Georgia.

Mr. RAMSPECK. Mr. Speaker, an announcement was made when this matter was here before that hearings on the McKellar bill and several other bills would be had when the Congress comes back.

The SPEAKER. The time of the gentleman from Virginia has expired.

Mr. CANNON of Missouri. Mr. Speaker, I yield to the gentleman from Indiana [Mr. LUDLOW] such time as he may desire.

(Mr. LUDLOW asked and was given permission to extend his own remarks.)

Mr. LUDLOW. Mr. Speaker, with all of my regard for the gentleman from New York I hope the House will vote down the amendment offered by him. It would lead to endless confusion and create interminable difficulties.

I know that Mr. TABER's aim in offering his amendment is to prevent the appointment to key positions of inefficient, visionary, crack-brained persons of the genus long-hair, to which he so frequently and feelingly adverts, but I am wondering whether he has given sufficient consideration to the sinister effects of his proposal. I fear that in divorcing himself from the long-hairs he aligns himself with the spoilsmen and I doubt whether he benefits by the change of company.

All of the objections so forcefully urged against the original McKellar amendment still hold against the Taber amendment. The Taber amendment lessens the problem only in degree. The provision of the Taber amendment that Presidential appointees nominated in recess shall serve until confirmed is substantially the present law and practice, so that this leaves one substantive proposition in the Taber proposal and that is that hereafter and dating back to June 30 all appointees to positions paying \$5,500 or more must be confirmed by the Senate.

The country is much opposed to this kind of legislation, believing that notwithstanding the good intent of the gentleman from New York and others who have seen fit to sponsor it that it would be spoils legislation of the worst type. Not only is public opinion as a whole against it but the press is almost unanimously opposed to it. We can only imagine what a valuable accessory it would be to machine politics in this country and how highly it would be regarded by the political bosses.

Let us visualize the case of John Jones, a perfectly competent man, who might be nominated for a \$5,500 job. The local political boss would look over his records and see that John Jones was deficient as a political manipulator and would wire to the Senator from his State: "Oppose confirmation of John Jones. He is a political dud and has never done anything for our party."

Based on that high impulse, generated in the home political works, the Senator would proceed to hold up confirmation

and the public interest would suffer. There are actual instances where word has gone out to persons considered for appointment that if they would agree to contribute 5 or 10 percent of their salary to the political organization at home they could depend on confirmation; otherwise not.

The War Manpower Commission has been right up against this problem ever since the rider was adopted requiring Senate confirmation of all War Manpower appointees drawing \$4,500 or more. The War Manpower Commission has been caused no end of trouble by that provision and it has delayed and handicapped the work of that Commission beyond all reason. Highly eligible persons, whose services have been much sought, have flatly declined to have their names submitted, rather than go through a humiliating fight to secure Senate benediction. Not only have the personnel efforts of the Commission been demoralized in this way, but the delay caused by a backlog of unconfirmed nominations has been a heavy deterrent to successful administration of the War Manpower Commission.

Illustrative of the confusion that would be created by the Taber amendment, some perplexing problems of administration under it already are foreseen. For instance:

Does it mean that a person already in the service and who is transferred would have to be confirmed before he could accept the \$5,500 position to which he is transferred?

Does it mean that a person now in the service who is promoted under the Ramspeck Act to \$5,500 would have to be confirmed? Under the Ramspeck Act an employee drawing \$5,400 a year after 30 months' service is automatically promoted to \$5,600. Would he have to be confirmed? The Board of Economic Warfare and various secret services, intimately integrated with the military effort, operate all over the globe. Is it seriously proposed that the recruitment of this highly essential and vitally important personnel is to be held up and these vital operations are to be handicapped and delayed while United States Senators leisurely debate the political qualifications of the appointees? Some of these persons have been appointed since June 30 and are now on their way to their vital spots in foreign countries. Are they to be recalled and forced to do obeisance to a politically minded Senate?

The publicity that would be given to the agents if their names are dragged before the Senate in a confirmation proceeding would end the usefulness of their important activity. These agents operate in foreign countries under the cloak of secrecy and in the very nature of things they must operate anonymously. Probably we could do nothing that would help the enemy more than to bring their names out into the limelight of publicity in a confirmation proceeding before the Senate.

Mr. Speaker, the Taber amendment, well intended as it is, would foment controversy and create delay at a critical time when unity and expeditiousness are

the primary need. It would slow up the war effort more than can now be imagined. I have very direct information that it is doubtful whether the President will sign the bill if this provision goes into it. I plead with the House to give sober second thought to this amendment and if it does so I feel certain that it will reject the proposal.

Mr. CANNON of Missouri. Mr. Speaker, I move the previous question.

The previous question was ordered. The SPEAKER. The question is on the motion of the gentleman from New York [Mr. TABER].

The question was taken; and the Speaker announced that the nays appeared to have it.

Mr. TABER. Mr. Speaker, I call for a division.

Mr. CANNON of Missouri. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 69, nays 260, answered "present" 1, not voting 100, as follows:

[Roll No. 138]

YEAS—69

Abernethy	Hess	Powers
Allen, Ill.	Jackson	Rankin
Andresen,	Jenkins	Reece, Tenn.
August H.	Jennings	Reed, N. Y.
Bell	Jensen	Richards
Boykin	Johnson,	Rizley
Brehm	Calvin D.	Schiffner
Brown, Ohio	Johnson, Ind.	Sheridan
Bryson	Jones	Simpson, Ill.
Busbey	Jonkman	Smith, Ohio
Carson, Ohio	Lambertson	Somers, N. Y.
Carter	Lemke	Stewart
Chipherfield	McCowen	Taber
Coffee	McGregor	Vincent, Ky.
Cole, N. Y.	McKenzie	West
Cravens	McMillan	Whelchel, Ga.
Crawford	Maas	White
Davis	Martin, Mass.	Whitten
Ellis	Morrow	Wigglesworth
Elston, Ohio	Miller, Nebr.	Wilson
Fish	Mundt	Wolcott
Gibson	Murray, Tenn.	Wolfenden, Pa.
Harris, Ark.	Norrell	Woodruff, Mich.
Heidinger	Philbin	

NAYS—260

Andersen,	Chenoweth	Fulbright
H. Carl	Church	Furlong
Anderson, Calif.	Clark	Gale
Anderson,	Clason	Gamble
N. Mex.	Clevenger	Gathings
Angell	Cole, Mo.	Gavagan
Arends	Compton	Gavin
Arnold	Cooley	Gearhart
Auchincloss	Cooper	Gerlach
Baldwin, Md.	Costello	Gillette
Barry	Courtney	Goodwin
Bates, Ky.	Cox	Cossett
Bates, Mass.	Creal	Graham
Beall	Crosser	Grant, Ala.
Beckworth	Cullen	Gregory
Bender	Cunningham	Griffiths
Bennett, Mo.	Curtis	Cross
Bishop	D'Alesandro	Gwynne
Blackney	Dewey	Hagen
Bloom	Dickstein	Hall,
Boiton	Dilweg	Leonard W.
Bonner	Dingell	Halleck
Boren	Dirksen	Hancock
Bradley, Pa.	Disney	Hare
Brown, Ga.	Dondero	Harless, Ariz.
Buckley	Durham	Harness, Ind.
Buffett	Dworshak	Harris, Va.
Bulwinkle	Eaton	Hart
Burch, Va.	Eberharter	Hartley
Burchill, N. Y.	Elliot	Heffernan
Burdick	Ellison, Md.	Hendricks
Burgin	Ellsworth	Herter
Butler	Engel	Hinshaw
Byrne	Feighan	Hobbs
Camp	Fenton	Hoch
Canfield	Fernandez	Hoeven
Cannon, Mo.	Fisher	Hoffman
Carlson, Kans.	Flannagan	Holmes, Mass.
Case	Fogarty	Holmes, Wash.
Celler	Folger	Hope
Chapman	Forand	Horan



Howell	Merritt	Shafer
Hull	Michener	Sheppard
Jarman	Miller, Conn.	Short
Jeffrey	Miller, Mo.	S'kes
Johnson,	Miller, Pa.	Simpson, Pa.
Anton J.	Mills	Slaughter
Johnson,	Monkiewicz	Smith, Maine
J. Leroy	Monrone	Smith, Va.
Johnson,	Mruk	Smith, Wis.
Luther A.	Murdock	Snyder
Johnson,	Murphy	Sparkman
Lyndon B.	Myers	Spence
Johnson, Okla.	O'Brien, Mich.	Springer
Judd	O'Brien, N. Y.	Stanley
Kean	O'Neal	Steagall
Kearney	O'Toole	Stearns, N. H.
Kee	Outland	Stefan
Kelley	Pace	Stockman
Kennedy	Patman	Sullivan
Kerr	Patton	Summer, Ill.
Kinzer	Peterson, Fla.	Summers, Tex.
Kirwan	Pittenger	Sundstrom
Kleberg	Ploeser	Talle
Klein	Poulson	Thomas, N. J.
Knutson	Pracht	Thomas, Tex.
Kunkel	Price	Thomason
LaFollette	Priest	Tibbott
Landis	Rabaut	Towe
Lane	Ramey	Voorhis, Calif.
Lanham	Ramspeck	Vorys, Ohio
Lea	Rees, Kans.	Vursell
LeCompte	Robertson	Wa'ter
LeFevre	Robinson, Utah	Ward
Lesinski	Robson, Ky.	Wasielewski
Luce	Rockwell	Welch, Ohio
Ludlow	Rodgers, Pa.	Weiss
Lynch	Rogers, Calif.	Wene
McGehee	Rogers, Mass.	Wheat
McGranery	Rohrbough	Whittington
McLean	Rolph	Wickersham
McMurray	Rowan	Willey
McWilliams	Rowe	Winstead
Madden	Sadowski	Wolverton, N. J.
Mahon	Sasser	Woodrum, Va.
Maddenfield,	Satterfield	Worley
Mont.	Scanlon	Wright
Marcantonio	Schuetz	Zimmerman
Martin, Iowa	Schwabe	
Mason	Scott	

## ANSWERED "PRESENT"—1

Hays

## NOT VOTING—100

Allen, La.	Gordon	Norman
Andrews	Gore	Norton
Baldwin, N. Y.	Gorski	O'Brien, Ill.
Barden	Granger	O'Connor
Barrett	Grant, Ind.	O'Hara
Bennett, Mich.	Green	O'Konski
Bland	Hale	O'Leary
Bradley, Mich.	Hall	Peterson, Ga.
Brooks	Edwin Arthur	Pfeifer
Cannon, Fla.	Hébert	Phillips
Capozzoli	Hill	Plumley
Cochran	Holfield	Poage
Colmer	Izac	Randolph
Culkin	Johnson, Ward	Reed, Ill.
Curley	Keefe	Rivers
Dawson	Kefauver	Russell
Day	Keogh	Sabath
Delaney	Kilburn	Sauthoff
Dies	Kilday	Smith, W. Va.
Ditter	King	Starnes, Ala.
Domengeaux	Larcade	Stevenson
Doughton	Lewis	Talbot
Douglas	McCord	Tarver
Drewry	McCormack	Taylor
Elmer	Magnuson	Tolan
Fay	Maloney	Treadway
Fellows	Manasco	Troutman
Fitzpatrick	Mansfield, Tex.	Van Zandt
Ford	May	Vinson, Ga.
Fulmer	Morrison, La.	Wadsworth
Ga'lagher	Morrison, N. C.	Weaver
Gifford	Mott	Welch
Gilchrist	Murray, Wis.	Winter
Gillie	Newsome	

So the motion was not agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Brooks for, with Mr. Colmer against.  
Mr. Allen of Louisiana for, with Mr. Keogh against.

Mr. Hays for, with Mr. Drewry against.

Until further notice:

Mr. Holfield with Mr. Ward Johnson.  
Mr. Granger with Mr. Gilchrist.

Mr. Delaney with Mr. Elmer.  
Mrs. Norton with Mr. Reed of Illinois.  
Mr. Fay with Mr. Gillie.  
Mr. Vinson of Georgia with Mr. Lewis of Ohio.

Mr. McCormack with Mr. Treadway.  
Mr. Fitzpatrick with Mr. Grant of Indiana.  
Mr. Randolph with Mr. Edwin Arthur Hall.  
Mr. Bland with Mr. Kilburn.  
Mr. Pfeifer with Mr. Hill.  
Mr. Ford with Mr. Phillips.  
Mr. O'Connor with Mr. Douglas.  
Mr. Morrison of Louisiana with Mr. Nor-

man.  
Mr. Curley with Mr. Gifford.  
Mr. Domengeaux with Mr. Plumley.  
Mr. Gordon with Mr. O'Hara.  
Mr. Manasco with Mr. Ditter.  
Mr. Gorski with Mr. Keefe.  
Mr. King with Mr. Winter.  
Mr. Larcade with Mr. Culkin.  
Mr. Cochran with Mr. Hale.  
Mr. Tolan with Mr. Murray of Wisconsin.  
Mr. Smith of West Virginia with Mr. Day.  
Mr. Hébert with Mr. Fellows.  
Mr. Tarver with Mr. Gallagher.  
Mr. Maloney with Mr. Baldwin of New York.  
Mr. Izac with Mr. Talbot.

Mr. Mansfield of Texas with Mr. Andrews.  
Mr. O'Brien of Illinois with Mr. Welch.  
Mr. Capozzoli with Mr. Van Zandt.  
Mr. Barden with Mr. Bradley of Michigan.  
Mr. Starnes of Alabama with Mr. Trout-

man.  
Mr. Magnuson with Mr. Taylor.  
Mr. Doughton with Mr. Wadsworth.  
Mr. Peterson of Georgia with Mr. Sauthoff.  
Mr. May with Mr. Barrett.  
Mr. Weaver with Mr. Stevenson.  
Mr. Cannon of Florida with Mr. Bennett of Michigan.

Mr. HAYS. Mr. Speaker, I have a pair with the gentleman from Virginia, Mr. DREWRY, who, if present, would have voted "nay." I voted "yea." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the motion of the gentleman from Missouri.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment No. 34: On page 43, line 18, strike out "203" and insert "204."

Mr. CANNON of Missouri. Mr. Speaker, I move that the House adhere to its disagreement to Senate amendment No. 34.

The motion was agreed to.

A motion to reconsider the vote by which the various amendments were disposed was laid on the table.

## STILL FURTHER MESSAGE FROM THE SENATE

A still further message from the Senate by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 3030) entitled "An act making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1943, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1944, and for other purposes."

The message also announced that the Senate agrees to the amendment of the

House to the amendment of the Senate No. 26 to said bill.

COMMODITY CREDIT CORPORATION—  
CONFERENCE REPORT

Mr. STEAGALL submitted the following conference report and statement:

## CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, having met after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 3.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, and 4; and agree to the same.

HENRY B. STEAGALL,  
BRENT SPENCE,  
PAUL BROWN,  
WRIGHT PATMAN,  
JESSE P. WOLCOTT,  
RALPH A. GAMBLE,

Managers on the part of the House.

ROBERT F. WAGNER,  
ALBEN W. BARKLEY,  
FRANCIS MALONEY,  
JOHN A. DANAHY,  
ROBERT A. TAFT,

Managers on the part of the Senate.

## STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the joint resolution (H. J. Res. 147) to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: Section 4 of the joint resolution as it passed the House provides that section 22 (g) of the Federal Reserve Act, as amended (relating to indebtedness of executive officers of banks), should not apply to loans which the Commodity Credit Corporation has agreed to take over or purchase. The Senate amendment eliminated section of the joint resolution. The House recedes.

Amendment No. 2: This amendment merely changes a section number. The House recedes.

Amendment No. 3: This amendment provides that whenever a maximum price of prices has been established for any agricultural commodity, or any commodity produced or manufactured in whole or substantial part from any agricultural commodity, including livestock, no subsidy or other payments should be made, either directly or indirectly, out of any funds of the Commodity Credit Corporation or any other governmental agency to any person engaged in the production, marketing, distribution, or handling of any such commodity as compensation for any reduction or roll-back of maximum prices so established, unless the Congress, by appropriation or otherwise, shall have authorized the use of such funds for such purpose.

There was no corresponding provision in the joint resolution as it passed the House. The Senate recedes.

Amendment No. 4: This amendment adds a provision to section 2 of the Emergency Price Control Act of 1942, as amended, to make it clear that nothing in that act should be construed (1) as authorizing the elimination or any restriction of the use of trademarks and brand names, (2) as authorizing the Act



ministrator to require grade labeling of any commodity, (3) as authorizing the Administrator to standardize any commodity, unless the Administrator determined, with respect to such standardization, that "no practicable alternative exists for securing effective price control with respect to such commodity", or (4) as authorizing any order of the Administrator fixing maximum prices for different kinds, classes or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use in the trade or industry affected, or have previously been promulgated and their use lawfully required by another Government agency. The section also repealed the provision in the National War Agencies Appropriation Act, 1944, prohibiting the use of the appropriation for the Office of Price Administration for the promulgation or enforcement of orders requiring grade labeling or standardization of food products, wearing apparel or other processed or manufactured commodities or articles.

There was no corresponding provision in the joint resolution as it passed the House. The House recedes.

The purpose of this amendment to section 2 of the Emergency Price Control Act of 1942, as amended, is to meet the objection that the Price Administrator has exceeded the limitations expressed in section 2 (h) of that act in issuing certain regulations already promulgated.

The first clause prohibits any attempt to eliminate or restrict the use of trade and brand names, and clarifies the original congressional intention on this subject. The second clause prohibits any requirement for grade labeling of any commodity as that term is defined in section 302 (c) of the act. This definition embraces all commodities and products, including hosiery and wearing apparel. The third clause requires that before any commodity may be standardized, the Administrator must determine that no practicable alternative method exists for securing effective price control of the commodity. The fourth clause prohibits the tying of maximum prices to specifications or standards under any circumstances unless such specifications or grades have previously been in wide, general use in the affected industry, or have previously been lawfully required to be used, in the sale of commodities, by some other Government agency acting pursuant to congressional authorization. Thus price ceilings may be based only on grades and specifications which are in wide, general use in an industry, such as those prevailing in the lumber business; or may be based on legal standards or specifications promulgated under the Food, Drug, and Cosmetic Act or the Federal Meat Inspection Act. But requirements that standards or specifications be used in manufacturing or selling, or that such standards appear on the invoice, are prohibited except where such standards or specifications are in wide, actual commercial use, or are lawfully required by some other Government agency, acting pursuant to statute, to be used in the sale of the affected commodities. Voluntary, advisory, warehousing, proposed, or tentative specifications or standards, issued by administrative officials, cannot be written into law merely by being put into maximum price regulations.

Each of these four limitations is made separately applicable to the issuance of maximum price regulations, and is designed to make certain and specific the congressional intent originally embodied in section 2 (h) of the act. That section provided that "the powers granted in this section shall not be used or made to operate to compel changes in the business practices, cost practices or methods, or means or aids to distribution, established in any industry. \* \* \*

The enactment of this further provision, making clear the circumstances under which

the Administrator may act, warrants the repeal of the somewhat broader limitations, recently included in the National War Agency Appropriation Act of 1944, to which the Administrator has objected.

HENRY B. STEAGALL,  
BRENT SPENCE,  
PAUL BROWN,  
WRIGHT PATMAN,  
JESSE P. WOLCOTT,  
RALPH A. GAMBLE,

*Managers on the part of the House.*

Mr. STEAGALL. Mr. Speaker, I call up the conference report on House Joint Resolution 147, to continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

The Clerk read the title of the bill.

The Clerk read the conference report.

Mr. STEAGALL. Mr. Speaker, there are three Senate amendments embraced in the conference report. One is purely clerical, the second relates to an amendment to the Federal Reserve Act, and the third relates to an amendment to the Price Control Act concerning grade labeling. I think it sufficient to say that these amendments are not controversial so far as the conferees are concerned either from the House or the Senate. And I am sure this is true of the entire membership of the House.

When the recent measure extending the life of the Commodity Credit Corporation failed to receive the approval of the Chief Executive, and when the action of the President was sustained, it seemed that the practical course left us was the enactment of the resolution which passed the House, H. J. Res. 147, to continue the life of the Commodity Credit Corporation until the 1st of January, 1944. During this time the Congress will have opportunity to give further study to the matters in controversy and further opportunity to deal considerately with the legislation in the light of all developments between now and the 1st of January, 1944.

No new authority is conferred upon anybody with respect to the matters in controversy by this House joint resolution; it is simply a stop-gap to bridge over this period of time and to preserve the life of the Commodity Credit Corporation with its functions and activities that are so important to the farmers of the United States and to the national economy. As far as I am concerned, and I am sure it is true of other Members of the House, I have not changed my views with respect to the policy of subsidies and roll-backs as a means of controlling inflation. I repeat now as I said the other day when this matter was before the House, it was never intended that in the passage of the price control bill with section 2 (e) that we were to confer such power except for the purpose of encouraging and obtaining necessary production for the prosecution of the war.

When this matter is before the Congress again free from the complications that existed when this resolution was introduced, as far as I am concerned my position will be exactly what it was when the legislation was first before us and as expressed in my vote when I regretfully and respectfully voted to pass the bill

notwithstanding the objections of the Chief Executive.

The managers on the part of the House adhered to the expressed will of the House, and I wish to say because of some seeming misunderstanding that there was no real insistence upon the so-called Danaher-Tydings amendment by the managers on the part of the Senate. We did have before us, proposed by them, a provision which, after considerable discussion and consideration by the managers on the part of the Senate, was tendered to the conferees as a substitute for the Danaher-Tydings amendment. That provision simply declared it to be the policy of Congress that we were opposed to subsidies and roll-backs. It was nothing more than a meaningless gesture. No one in conference would gainsay the correctness of that statement.

We as Representatives of the House did not think we could accept such a provision which merely declared a policy. Congress has on numerous occasions made known its attitude. We felt—at least some of us did—and I think I speak for the conferees on the part of the House, that such a provision would be objectionable, if indeed, it would not be resented as deceptive, by Members of this House who so strongly feel, as many Members do, in opposition to roll-backs and subsidies; and, so, we rejected it.

At the proper time we can take up this legislation again and give it the consideration its importance deserves and I shall be glad in my humble way to render whatever service I can in that connection. In view of misunderstanding that seems to prevail I want to say that any impression that the House conferees were stubborn or inconsiderate in the manner in which the matter was handled in conference is not justified. The fact is a majority of the conferees on the part of the House were not for the so-called Danaher-Tydings amendment, and it is not unfair to say that it was not really urged by the conferees on the part of the Senate. I say that for the record in order that any misunderstanding about this may be cleared up. The Senate receded and, of course, that ended the matter.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. STEAGALL. I yield.

Mr. AUGUST H. ANDRESEN. The fact the conference committee rejected the Tydings-Danaher amendment is not to be construed that the House or the Congress either confirms, approves, or authorizes roll-backs or subsidy payments?

Mr. STEAGALL. The gentleman from Minnesota inquires if this action is to be construed as in any way reflecting the will of the Congress with respect to the policy of roll-back and reduction of maximum prices by subsidies. I answer: No, no such thought entered our minds. What we intended, what we had in mind solely, was to continue the Commodity Credit Corporation with its powers as they now exist under the law, until the 1st of January 1944.



Mr. AUGUST H. ANDRESEN. Is it not a fact that the roll-backs and subsidies were initiated by O. P. A. and handled through the R. F. C. under section 2 (e) of the Price Control Act of 1942, which has nothing to do with the Commodity Credit Corporation?

Mr. STEAGALL. Oh, yes, that is quite true. What we did was with regard to the Commodity Credit Corporation and was entirely logical and consistent.

Mr. ROBSION of Kentucky. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. If I understand the distinguished chairman of the Banking and Currency Committee correctly, he and his conferees agreed to this conference report because of the necessity of continuing the Commodity Credit Corporation activities, and this is the very best thing to do, either that or kill the Commodity Credit Corporation?

Mr. STEAGALL. That is absolutely true, but that does not mean that the members of the conference committee did not have divergent views. We wanted to preserve the life of the Corporation.

Mr. ROBSION of Kentucky. There is something in this conference report that commits the Congress or the country or that authorizes any person to engage in roll-backs or subsidies?

Mr. STEAGALL. There is no new authority whatever conferred. I thought I had stated that. The matter is left in abeyance to be fought out, and every man in this House may pursue that controversy just as he thinks proper as heretofore, without embarrassment because of having voted for this resolution. In face of the President's veto, which we were unable to override, the practical situation required that we take steps to preserve the Commodity Credit Corporation. We were defeated for the time being by the veto and there was nothing to do except to try to preserve the benefits of the Corporation for the time being. That is what will be done by the enactment of this resolution.

Mr. CRAWFORD. Will the gentleman yield?

Mr. STEAGALL. I yield to the gentleman from Michigan.

Mr. CRAWFORD. Will the chairman of the Banking and Currency Committee tell the House what his attitude will be with respect to giving this matter additional attention between now and December 31, 1943, at which time the effect of this resolution expires? In other words, can we go away from here feeling that some time between now and December 31 next, in order that we may advise our constituents to that effect, it is the intention of the House Banking and Currency Committee to give this whole question of subsidy as related to the Commodity Credit Corporation and its activities full consideration so that the House may have a chance to act thereon?

Mr. STEAGALL. That is certainly my intention, and I feel sure I speak for

other members of the committee when I say that. I may say to the gentleman that that is what we had in mind in limiting the life of the Corporation to January 1 in order that the matter may be reconsidered.

Mr. Speaker, I now yield the gentleman from Michigan [Mr. WOLCOTT] 5 minutes.

Mr. WOLCOTT. Mr. Speaker, both Houses of the Congress have spoken decisively against roll-backs and subsidies for the purpose of reducing maximum prices. The President, exercising his constitutional powers, vetoed a bill which would have prohibited further payment of roll-backs and subsidies for the purpose of reducing consumer prices. After this veto was sustained, Congress had a new responsibility.

In view of the fact that had no legislation been passed the Commodity Credit Corporation, which has done outstanding work and has loaning capacity of more than \$2,650,000,000, would have expired, it became our duty to at least temporarily salvage the Commodity Credit Corporation until such time as we could lay out a new program for it. In view of the very definite action taken by both the House and Senate in opposition to roll-backs and subsidies for the purpose of reducing maximum prices, it is not conceivable that the administration will expand its existing program. In fact, it has been suggested that it would not be in keeping with the spirit of democratic government if the President and the other agencies in the executive establishment were to so defy a majority of both branches of the Government.

At the present time roll-backs exist on butter and meat. They are the only roll-back subsidies that are in existence. These subsidies are being financed by the Reconstruction Finance Corporation. I say that to clear up an impression that the \$350,000,000 additional borrowing power which we give the Commodity Credit Corporation is to be used for this purpose. At the present time, so far as I know, the Commodity Credit Corporation has not laid out any program to pay subsidies for the purpose of reducing maximum prices. At the time that we held hearings, and I refer you to those hearings, Mr. Hutson, President of Commodity Credit Corporation, said he wanted a billion dollars to carry on what you and I consider the legitimate purposes of the Commodity Credit Corporation which did not embrace the payment of subsidies or roll-back prices to reduce maximum prices. So there is very little or no affiliation between the \$350,000,000 in this bill and the roll-back program.

If the administration and if the executive branch of the Government has through a misinterpretation of the law done something in respect to roll-backs which we consider is illegal, we in no manner become a party to those illegal actions by the adoption of this conference report and we in no manner whatsoever put our stamp of approval on the illegal actions of the executive branch of the Government in rolling back prices or in reducing maximum prices and financing it by the payment of subsidies. I want to make it very clear that

my interpretation of the Price Control Act is simply that the Office of Price Administration has the legal authority to pay subsidies for only one purpose and that is to encourage and to obtain the maximum amount of production and that the Reconstruction Finance Corporation is authorized under the same act to pay subsidies only to obtain the maximum amount of production of strategic and critical materials.

The SPEAKER. The time of the gentleman has expired.

Mr. STEAGALL. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. WOLCOTT. Mr. Speaker, we had this alternative.

You want to go home and find out what your people think about this and a lot of other problems before this Congress. No one denies that you are entitled to that right. I do not know whether or not you are going to get any rest, otherwise I would have said "vacation." But you have the right to go back home and talk with your people about these problems. It is essential that you do so. We are going to recess tonight for that purpose.

Had we adopted the Danaher-Tydings amendment we would have written again into the law the same language, almost the identical language that the President objected to and gave as his reason for vetoing the bill. Ten days from now, after the President had vetoed this joint resolution, had the Danaher-Tydings amendment stayed in, it would have been on the Speaker's desk. You would either have been called back here to override that veto, or the responsibility of killing a \$2,650,000,000 corporation would have been on your shoulders and not on those of the President. He would have exercised his congressional prerogative to veto the bill. Then you would have been called upon to do your constitutional duty, and come back here and save the Corporation which means so much, \$2,650,000,000 worth, to the agricultural interests of this country.

This is stop-gap legislation to save the Commodity Credit Corporation temporarily so that it can function in all of its legitimate pursuits for a period of only 6 months. It does not put the stamp of approval on any of the illegal acts of the administration in respect to Commodity Credit Corporation moneys, Reconstruction Finance Corporation moneys, or O. P. A. moneys. I hope this House will accept this conference report with the very definite understanding that we are not affirming any of the actions of the administration in respect to the roll-back program, that we are just as much opposed to roll-backs and subsidies as we ever were. When we come back here next September we shall be forced under the provisions of this act to lay out a new program, because the Commodity Credit Corporation will expire again on December 31 if we do not do so. We can determine then whether we want to kill the Commodity Credit Corporation or whether we want to restrict further the roll-back and subsidy program.

Mr. BARRY. Mr. Speaker, will the gentleman yield?



Mr. WOLCOTT. I yield to the gentleman from New York.

Mr. BARRY. The gentleman does not contend that there is anything illegal about rolling back prices on agricultural products unless they are rolled back below parity, does he?

Mr. WOLCOTT. Yes, I do, if subsidies payments are made to finance them. Let me make myself clear. I said that the Office of Price Administration under 2 (e) of the Price Control Act of 1942—and I defy anyone to place any other legal interpretation on the language—can subsidize only for the purpose of obtaining the maximum production of agricultural and other commodities. To roll back a price 5 cents and then pay that 5 cents out of the Treasury of the United States surely is not any incentive or inducement to increase the production of agricultural products.

Mr. BARRY. The gentleman's objection is to subsidies, not roll-backs?

Mr. WOLCOTT. My objection is to subsidies.

Mr. BARRY. That is right.

Mr. WOLCOTT. Does the gentleman distinguish between subsidies and roll-backs?

Mr. BARRY. Absolutely. Under the law the President or the Price Administrator can roll back prices down to parity without paying any subsidy.

Mr. WOLCOTT. The gentleman is absolutely correct. One of the contentions has been—and I want to make this clear—that there is no reason why the ceiling should be taken off foodstuffs merely because we have stopped or would have stopped the subsidy program. There is no more reason why the price of agricultural commodities should go up to 156 percent of parity than that it should go up to 300 percent. The Price Administrator is morally and legally bound, if he follows the language, the spirit, and the intent of the Price Control Act, to stabilize prices. It is up to him to do it. Because he has not done it, we have this very controversial subject before us.

Mr. BARRY. The gentleman's objection is to subsidies.

The SPEAKER. The time of the gentleman from Michigan has again expired.

Mr. STEAGALL. Mr. Speaker, I yield such time as he may desire to the gentleman from Ohio [Mr. SMITH].

(Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks in the RECORD.)

SO-CALLED PRICE ROLL-BACK IS A DELUSION AND SNARE

Mr. SMITH of Ohio. Mr. Speaker, the idea that the cost of living can merely be reduced or held down by subsidizing the consumer public with taxpayers' money is false and vicious. The scheme cannot reduce the cost of living one iota. On the contrary, it is bound to increase living costs and multiply our present troubles of controlling prices and rationing. Instead of lessening the dangers of inflation, it will greatly increase them. But a little common-sense reasoning should convince anyone of the truth of this statement.

Take the 5-cent roll-back on butter. To outward appearances, of course, it is apt to look to many when they pay for a pound of butter over the counter that they have actually made a saving of 5 cents. The fact is, no actual saving has been made. What really happens here is not an actual reduction to the consumers in the price of butter, but merely the shifting of the payment from the grocer, processor, and producer of butter to Uncle Sam, who in turn, hands it over to the grocer, processor, and producer.

The same principle applies, of course, to all other consumer goods that may become involved in the roll-back program.

The sole source of the subsidies used in this scheme is taxes. These taxes must be paid either by present taxpayers or future taxpayers. A part of the Federal funds is raised by current taxes, while the other part is being raised by borrowing which must be paid back by future taxpayers.

Who are the current taxpayers and who will be the future taxpayers? Practically everybody now pays Federal taxes, wage earners, farmers, as well as all others. No group of people is more deceived by this scheme than are wage earners. The trouble with this roll-back is that it never stops rolling until it gets back on their pay or income.

It is true, shamefully true, that not all of the price roll-back finally falls on current taxpayers. Some of it falls on future taxpayers. Who are some of the future taxpayers that will be called upon to pay for our present cost of living? Among them will be many millions of returning soldiers. So there will be a roll-back of prices on to our soldiers who are now bleeding and suffering to save our Nation. This is a spectacle, indeed.

They will have to help pay the taxes for the interest and retirement of Government bonds that are now sold to raise the money with which to pay the roll-back subsidies. Here is something that should concern our consciences.

Under the administration's price roll-back subsidy scheme when you next sit down to your meal, and you ask the blessing and offer a prayer for the speedy and safe return of your soldier boy, or of another, give a little thought to the fact that a part of the cost of the food you are about to eat has been rolled on to the one for whom you are praying.

Mr. STEAGALL. Mr. Speaker, this conference report has been adopted by the Senate. I am sure I am in accord with the feeling of the House when I suggest that further discussion is not necessary, and I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to. A motion to reconsider was laid on the table.

DEPARTMENT OF LABOR, FEDERAL SECURITY AGENCY APPROPRIATION BILL, 1944—CONFERENCE REPORT

Mr. HARE submitted the following conference report on the bill (H. R. 2935)

making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1944, and for other purposes:

#### CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate numbered 24 to the bill (H. R. 2935) making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies, for the fiscal year ending June 30, 1944, and for other purposes having met, after full and free conference, have been unable to agree.

BUTLER B. HARE,  
ALBERT THOMAS,  
CLINTON F. ANDERSON,  
ALBERT J. ENGEL,  
H. CARL ANDERSEN,

Managers on the part of the House.

PAT MCCARRAN,  
KENNETH MCKELLAR,  
HARRY S. TRUMAN,  
WAYLACE H. WHITE, Jr.,  
CLYDE M. REED,

Managers on the part of the Senate.

Mr. HARE. Mr. Speaker, I call up the conference report on the bill H. R. 2935.

The Clerk read the title of the bill.

The Clerk read the conference report.

The SPEAKER. The Clerk will report the amendment in disagreement.

The Clerk read as follows:

Senate amendment No. 24: On page 62, line 23, after the figures insert the following:

"Provided, That no part of this appropriation shall be available to pay the salary of any person at the rate of \$4,500 per annum or more unless such person shall have been appointed by the President, by and with the advice and consent of the Senate."

Mr. HARE. Mr. Speaker, I offer a motion, which is at the Clerk's desk.

The Clerk read as follows:

Mr. HARE moves that the House adhere to its disagreement to the amendment of the Senate numbered 24.

The motion was agreed to.

A motion to reconsider was laid on the table.

#### EXCESSIVE FEES IN CONNECTION WITH WAR CONTRACTS

Mr. BRADLEY of Pennsylvania. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1900), to prevent the payment of excessive fees or compensation in connection with the negotiation of war contracts, with Senate amendments, and agree to the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 3, line 13, after "sales", insert "by."  
Page 3, line 14, strike out "by."

Mr. BRADLEY of Pennsylvania. Mr. Speaker, in the transmission of this bill from the House to the Senate there was a printing error. On page 2, line 14, the word "by" was placed, whereas it properly belonged in line 13.

Mr. MARTIN of Massachusetts. That is the only change?

Mr. BRADLEY of Pennsylvania. That is the only change, and it is simply to make this correction.



Mr. MARTIN of Massachusetts. It does not change the meaning of the act at all?

Mr. BRADLEY of Pennsylvania. No, sir; I do not think so.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were agreed to.

A motion to reconsider was laid on the table.

#### RESIGNATION FROM COMMITTEE

The SPEAKER laid before the House the following resignation from a committee:

JULY 8, 1943.

HON. SAM RAYBURN,

*Speaker, House of Representatives.*

DEAR MR. SPEAKER: I hereby tender my resignation as a member of the following committees: Accounts, Elections No. 1, Immigration and Naturalization, Indian Affairs, Patents, and War Claims.

Respectfully submitted.

ARTHUR WINSTEAD.

The SPEAKER. Without objection, the resignation is accepted.

There was no objection.

#### ELECTION TO COMMITTEE ON MILITARY AFFAIRS

Mr. DOUGHTON. Mr. Speaker, I offer a privileged resolution (H. Res. 297), and ask for its immediate consideration.

The Clerk read as follows:

*Resolved, That ARTHUR WINSTEAD, of the State of Mississippi be, and he is hereby, elected a member of the standing committee of the House of Representatives on Military Affairs.*

The resolution was agreed to.

#### DISTRIBUTION OF FERTILIZER

Mr. FLANNAGAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1396) making certain regulations with reference to fertilizers or seeds that may be distributed by agencies of the United States, with a Senate amendment, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

„Page 1, line 15, after „laws“, insert „: Provided, That the provisions of this act shall not apply to fertilizer distributed for experimental purposes by the Tennessee Valley Authority.“

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

Mr. HOPE. Mr. Speaker, reserving the right to object, will the gentleman explain the amendment?

Mr. FLANNAGAN. The amendment only excepts fertilizer manufactured by the Tennessee Valley Authority.

Mr. HOPE. And, as I understand, that is only fertilizer for experimental purposes?

Mr. FLANNAGAN. When that fertilizer is used for experimental purposes only.

Mr. HOPE. Otherwise the bill as passed by the Senate is exactly the same as the bill passed by the House?

Mr. FLANNAGAN. That is correct.

The SPEAKER. Is there objection?

There was no objection.

The Senate amendment was agreed to. A motion to reconsider was laid on the table.

#### PERMISSION TO FILE INTERIM REPORT

Mr. SMITH of Virginia. Mr. Speaker, I ask unanimous consent that notwithstanding the adjournment of Congress the select committee appointed by the House under House Resolution 102 may file for printing in the calendar an interim report.

The SPEAKER. Is there objection?

There was no objection.

#### EXTENSION OF REMARKS

Mr. HARE. Mr. Speaker, I ask unanimous consent to extend my remarks and include therein an editorial.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix on two subjects and include a short newspaper article in each case.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. PITTENGER. Mr. Speaker, I ask unanimous consent to extend my remarks on two different subjects and to include in one an editorial from the Duluth News Tribune under date of June 30, and in the other an article by Senator VANDENBERG.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matters referred to appear in the Appendix.]

Mr. ENGEL. Mr. Speaker, I ask unanimous consent to extend my remarks and include certain tables and quotations.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

(By unanimous consent, Mr. ROB- SION of Kentucky and Mr. REES of Kansas were granted permission to extend their own remarks in the RECORD.)

Mr. REES of Kansas. Mr. Speaker, I ask unanimous consent to revise and extend the remarks I made today.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. COLE of Missouri. Mr. Speaker, I ask unanimous consent that my colleague [Mr. FLOESER] may be permitted to extend his remarks in the Appendix of the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. DIRKSEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix and include a radio speech which I except to make.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. KINZER. Mr. Speaker, I ask unanimous consent to extend my remarks regarding the Hamilton Watch Co. and to include therein two letters.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix on two subjects and to include certain quotations.

The SPEAKER. Is there objection?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

Mr. KENNEDY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an editorial from the New York Times entitled "Old Colonial Church."

The SPEAKER. Is there objection?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HOLMES of Massachusetts. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include therein two addresses recently made by me in Massachusetts.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

[The matter referred to will appear hereafter in the Appendix.]

(Mr. COSTELLO asked and was given permission to extend his own remarks in the RECORD.)

Mr. HAYS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and include therein a statement on the death of General Sikorski.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. HAYS. Mr. Speaker, I also ask unanimous consent to extend my remarks in the RECORD, to include an address before the New England Town and County Church Conference by R. W. Hudgens.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. NORRELL. Mr. Speaker, I ask unanimous consent to extend my own





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[PUBLIC LAW 151—78TH CONGRESS]

[CHAPTER 241—1ST SESSION]

[H. J. Res. 147]

JOINT RESOLUTION

To continue the Commodity Credit Corporation as an agency of the United States, to increase its borrowing power, and for other purposes.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That the first sentence of section 7 of the Act approved January 31, 1935 (49 Stat. 4), as amended, is hereby amended, as of June 30, 1943, by striking out "June 30, 1943" and inserting in lieu thereof "December 31, 1943".

SEC. 2. The first sentence of section 4 of the Act approved March 8, 1938 (52 Stat. 108), as amended, is hereby amended by striking out "\$2,650,000,000" and inserting in lieu thereof "\$3,000,000,000".

SEC. 3. The Federal Reserve banks are hereby authorized to act as depositories, custodians, and fiscal agents for the Commodity Credit Corporation.

SEC. 4. Full reimbursement shall be made to the Commodity Credit Corporation for services performed, losses sustained, operating costs incurred, or commodities purchased or delivered to or on behalf of the Lend-Lease Administration, the Army or Navy, the Board of Economic Warfare, the Reconstruction Finance Corporation, or any other Government agency, from the appropriate funds of these agencies.

SEC. 5. (a) Section 2 of the Emergency Price Control Act of 1942, as amended, is hereby amended by adding at the end thereof the following new subsection:

"(j) Nothing in this Act shall be construed (1) as authorizing the elimination or any restriction of the use of trade and brand names; (2) as authorizing the Administrator to require the grade labeling of any commodity; (3) as authorizing the Administrator to standardize any commodity, unless the Administrator shall determine, with respect to such standardization, that no practicable alternative exists for securing effective price control with respect to such commodity; or (4) as authorizing any order of the Administrator fixing maximum prices for different kinds, classes, or types of a commodity which are described in terms of specifications or standards, unless such specifications or standards were, prior to such order, in general use in the trade or industry affected, or have previously been promulgated and their use lawfully required by another Government agency."

(b) The following provision in the National War Agencies Appropriation Act, 1944, is hereby repealed: "*Provided further*, That no part of this appropriation shall be used for the promulgation or enforcement of orders requiring grade labeling or standardization of food products, wearing apparel or other processed or manufactured commodities or articles."

Approved July 16, 1943.

